

Dayton Hudson Corporation 1974 Annual Report

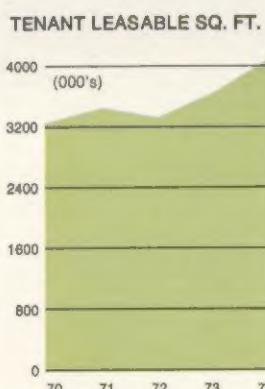
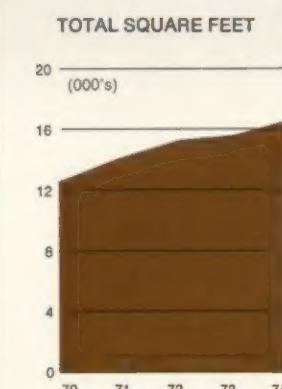
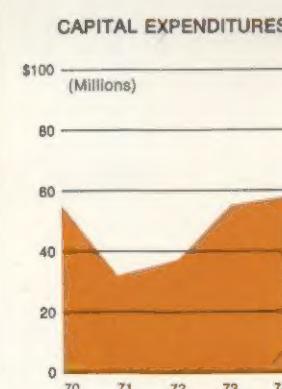
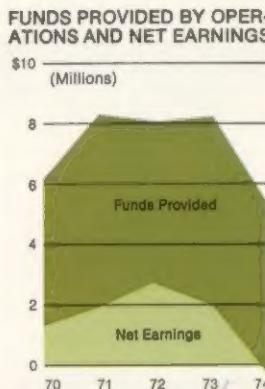
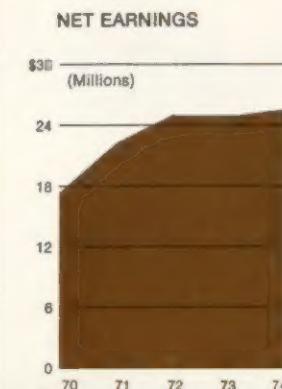
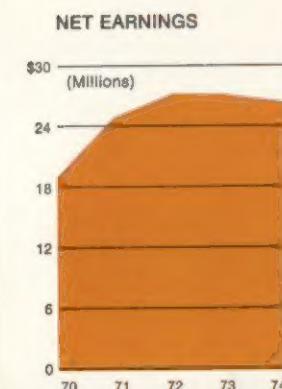
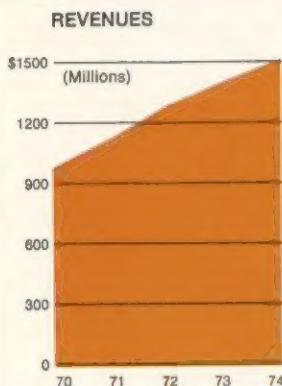
OUR LEADERSHIP
IN BUSINESS HAS
CORPORATION SIZE



Consolidated

Retail

Real Estate



Contents

Letter to Shareholders	2
Operating Review	4
Department Stores	5
Low-Margin Stores	8
Specialty Stores	10
Real Estate	12
Financial Review	14
Financial Statements	18
Summary of Accounting Policies	24
Notes to Financial Statements	26
Ten- and Five-Year Comparisons	30
Operating Companies	35
Directors and Officers	37

Dayton Hudson Corporation

Dayton Hudson Corporation operates its retail business in 38 states through department stores, low-margin stores and specialty stores. Through its real estate business, it also owns, develops and manages regional shopping centers, commercial properties and office buildings.

Annual Meeting

The Annual Meeting of Shareholders will be held at 10 a.m. Wednesday, May 21, 1975, in the IDS Theatre, on the concourse level of the IDS Center, 80 South Eighth Street, Minneapolis, Minnesota.

Corporate Offices

777 Nicollet Mall
Minneapolis, Minnesota 55402
Telephone: (612) 370-6948

Highlights

Consolidated	1974 52 Weeks Ended February 1, 1975	1973 52 Weeks Ended February 2, 1974
--------------	--	--

Revenues	\$ 1,504.5	\$ 1,407.5
Net Earnings	\$ 25.2	\$ 27.3
Earnings Per Common Share	\$ 1.57	\$ 1.70
Cash Dividends	\$.58½	\$.54
<i>Number of Shareholders</i>	<i>13,055</i>	<i>11,576</i>

Retail

Revenues	\$ 1,472.2	\$ 1,369.5
Net Earnings	\$ 25.5	\$ 25.2
Earnings Per Share Contribution	\$ 1.59	\$ 1.57
Funds Provided by Operations	\$ 49.9	\$ 47.6
<i>Number of Stores</i>	<i>318</i>	<i>263</i>
<i>Retail Square Footage (000)</i>	<i>16,570</i>	<i>15,802</i>

Real Estate

Net Earnings (Loss)	\$ (.4)	\$ 2.1
Earnings Per Share Contribution	\$ (.02)	\$.13
Funds Provided by Operations	\$ 5.2	\$ 8.2
<i>Tenant Leasable Square Feet (000)</i>	<i>4,119</i>	<i>3,649</i>

All dollars in millions, except per share amounts.



To Our Shareholders:

Consolidated revenues rose 6.9 percent in 1974 to reach the \$1.5-billion milestone. Earnings per share were \$1.57, down from \$1.70 in 1973.

Operational improvements that helped produce a 25-percent increase in retail earnings on a 9-percent sales increase through the first three quarters of 1974 enabled us to come through a highly competitive and promotional Christmas season with a slight increase in retail earnings for the full year. Retail revenues totaled \$1,472,181,000 in 1974, up 7.5 percent from a year earlier. At \$1.59 per share, retail earnings were up 1.3 percent from the \$1.57 earned in 1973.

In our real estate operations, rental income from tenants increased to \$28,173,000, up 6.2 percent from 1973. A higher expense ratio, due in part to construction delays, caused operating income from properties to decline to \$14,017,000 from \$15,005,000 the previous year. With land sales down and development expenses rising in response to the increased number of projects "in the pipelines," real estate operations lost 2 cents per share in 1974. They earned 13 cents per share in 1973.

Our chief profit contributors were our three largest companies, Hudson's, Dayton's, and Target, and our fastest-growing company, B. Dalton, Bookseller.

The momentum of Hudson's new fashion thrust overrode early softness

in the Michigan economy, and the company materially increased its sales and profitability through the first three quarters. Despite Detroit's deep fourth-quarter sag, Hudson's full-year sales were up marginally over 1973, and its full-year profitability showed only a moderate decline. Emphasis on fashion merchandise and improved expense control helped Hudson's hold its earnings contribution within 12 percent of the 1973 level. It remained our No. 1 earnings contributor.

While Detroit was hurt by the slowdown in auto production, the market served by Dayton's department stores was sustained to a large degree by the strengthened position of its agri-business base. Dayton's increased its revenues by 8.7 percent and its earnings contribution by 6.5 percent.

Target stepped up its sales increases in each succeeding quarter of 1974 on a comparable-store basis. It had a 15.8-percent revenues increase for the year and a 57.4-percent increase in earnings contribution to set the pace for the Corporation.

B. Dalton backed its aggressive expansion program with a 33.8-percent increase in revenues and a 29.9-percent increase in earnings contribution.

Among the year's less satisfactory performances were those of Lechmere, whose major-appliance sales were adversely affected by the soft Boston economy, and the Western Department Stores group, which absorbed the closing of two older department stores in Oklahoma City.

Dayton Hudson's expansion program moved ahead in 1974 with the

expenditure of \$58.1 million. In all, we opened five department stores (one each by Hudson's, Dayton's and John A. Brown, two by Diamond's), and added 52 specialty stores, raising the Corporation's total retail space to more than 16.5 million square feet in 38 states. Dayton Hudson Properties opened its ninth regional center, in suburban Minneapolis.

In line with this continuing growth of our operations, the Board of Directors acted in November to broaden our top management team. K. N. Dayton was elected Chairman of the Board and Chief Executive Officer. William A. Andres advanced from Executive Vice President of Retail Operations to President and Chief Operating Officer. Bruce B. Dayton became Chairman of the Executive Committee of the Board, continuing as Chief Financial Officer. Richard L. Schall, formerly Group Officer of our specialty stores group, became Senior Vice President-Administration, consolidating a number of administrative functions under his direction. Bruce G. Allbright, formerly President of B. Dalton, was named Vice President and Group Officer of the Corporation, with responsibility for the specialty stores group and Lechmere.

Looking to 1975, we foresee a difficult period for retailers, particularly in the first half. But we feel that we are set to deal with the expected lower level of economic growth. Our operating companies have implemented contingency plans that focus on merchandising to their customers' recession-oriented attitudes and needs, maintaining flexible and liquid inventory positions and assuring that all expense dollars are prudently spent.

We ended 1974 in strong financial condition. For the retail side of our business, our ratio of current assets to current liabilities was 2.2 to 1; the debt-to-equity ratio was 48 percent. In computing debt, we recognize obligations by including a value for lease commitments.

In our financial planning, too, we are reacting to the uncertain economic outlook. We are determined to confine the financing of 1975 retail expansion to internally generated funds. Our capital budget for 1975 calls for the expenditure of \$25 million on fixed assets by our retail operations, down from an expenditure of \$36.6 million in 1974. We plan to open two department stores, two Target stores and about 40 specialty stores.

While the economy is down, we are not down on our business. We believe our current plans are fully responsive to the economic climate in which we are operating. We will maintain the Corporation's strong financial condition and will continue to build in additional flexibility. We are determined to take advantage of whatever opportunities the economy has in store.



William A. Andres

K. N. Dayton

K. N. Dayton
Chairman of the Board

William A. Andres
President

April 11, 1975

Retail revenues totaled \$1,472,181,000 in 1974, up 7.5 percent from \$1,369,541,000 in 1973. Retail net earnings were \$25,545,000, compared with \$25,213,000 in 1973. Retail earnings per share were \$1.59, compared with \$1.57 a year earlier.

Our Retail Business: Distinctive Identities, National Strength

The Corporation increased the number of states in which it operates from 35 to 38, its number of stores from 263 to 318 and its total retail space from 15,802,000 to 16,570,000 square feet. We opened five department stores and closed two older units in 1974, while adding 52 specialty stores.

Dayton Hudson's retail business consists of three separate strategies—department stores, low-margin stores and specialty stores. This combination gives us a strong, fashion-oriented approach to the consumer that is national in scope and strength, yet regional in character and flexibility.

Our total sales place Dayton Hudson among the nation's dozen largest non-food retailers. But there are no stores labeled "Dayton Hudson." The names on our stores are Hudson's, Dayton's, Diamond's, Lipman's, John A. Brown, Target, Lechmere, B. Dalton, Pickwick, Caldwell, J. B. Hudson, J. Jessop, Peacock, Shreve's, Warren, Team—each a leading retail name, or *the* leading retail name, in its market.

These companies grew up and developed in the regions they serve. They are a part of the fabric of their communities; their merchandising is custom-fitted to their markets. As a result, Dayton Hudson's retail business is a mixture of tradition and innovation, service and self-service, fashion and utility.

We base its management on two guiding concepts:

- A merchandising philosophy that gives a unified direction to our operations through emphasis on dominant merchandise selections, quality and fashion.

- A system of decentralized management that supports the individuality of each company by delegating operating and direct profit responsibility to its chief executive officer.

The *combined* emphasis on merchandise dominance, quality and fashion is the hallmark of Dayton Hudson's operations. The emphasis on decentralized management gives each executive the latitude needed to tailor these concepts to fit his business and his trade area—and to move swiftly to capitalize on trends and merchandising opportunities. Retailing will always be a business of change, and a retailer's competitive edge is his ability to respond to change faster and better than his competition.

Such a decentralized management style has taken time to develop fully. But we are convinced it is the optimum way to build our business soundly for the future.

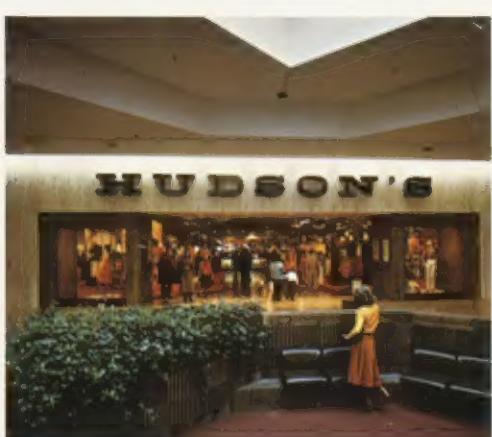
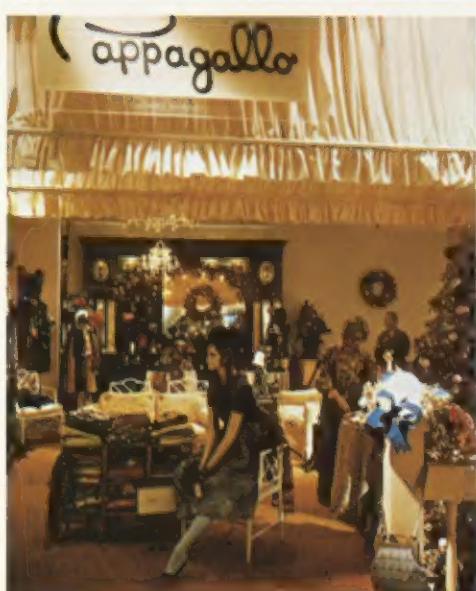
Department Stores



Building On Market Strength

Revenues of the department stores group increased 3.8 percent to \$823,279,000; earnings contribution* was \$51,503,000, a decline of 6.4 percent from 1973.

The group consists of five operating companies: Hudson's in Michigan and Ohio; Dayton's in Minnesota and North Dakota; Diamond's in Arizona and Nevada; Lipman's in Oregon; and John A. Brown in Oklahoma. These companies operate a total of 37 stores. Most are in regional shopping centers. All emphasize fashion leadership, quality merchandise, broad selections and customer service.



*Earnings before corporate expense, interest and income tax.

Hudson's

Decisive action by Hudson's management in adapting to Detroit's deteriorating economy enabled the company to increase total sales modestly in 1974. At the same time, it continued to strengthen its position as the leading quality and fashion-oriented department store operation in the Michigan-Northern Ohio marketing area through expansion and intensified fashion merchandising.

Among management's priority efforts were careful attention to inventories, further improvement of expense structure and a continued shift of merchandise mix toward fashion items that normally carry a higher margin.

Hudson's generated still more specialty-store appeal within its department store format, achieving its best percentage sales improvement in the contemporary specialty areas.

It continued to broaden its base, opening its twelfth store, a 187,000-square-foot unit in Ann Arbor, Michigan. It also began construction of its first store in Western Michigan, a 122,000-square-foot unit in Grand Rapids to be opened in 1975.

Dayton's

Dayton's revenues increased 8.7 percent in 1974, reflecting the relative economic strength of Dayton's market and the effectiveness of its trend-oriented merchandising.



Dayton's is a regional department store serving the entire Upper Midwest. Its central focus is on a strong appeal to younger, more affluent, more sophisticated and fashion-conscious consumers. But it competes successfully across an extremely wide pricing range.

Its merchandise strategy calls for wide assortments, broad store mix and quality merchandise in all price lines, with an emphasis on new, innovative and unique fashion merchandise. In 1974 this was reflected in the creation of a number of new specialty shops and a shift in presentation toward "soft displays"—platform arrangements of a variety of merchandise in a particular theme or color displayed with a casual touch.

Dayton's continued its expansion by opening its third department store in three years and sixth in the Minneapolis-St. Paul area, a 231,000-square-foot store in Ridgedale Shopping Center west of Minneapolis.

It also announced plans for its third department store outside the Twin Cities area, a 100,000-square-foot store in St. Cloud, Minnesota, to be opened in 1976. Dayton's also has stores in Rochester, Minnesota, and Fargo, North Dakota.

Western Stores

Sales growth of the Western Department Stores group—slowed by the closing of two outmoded stores in Oklahoma City—was 5.3 percent in 1974.

On a percentage basis, the western stores group has offered our greatest opportunity for department store expansion. The markets it serves are areas of substantial growth; in recognition of that, we have opened six new stores in the past three years.

Diamond's opened its sixth and seventh stores in 1974—a 50,000-square-foot store in Scottsdale, and a 98,000-square-foot store in Tucson. These are two contrasting physical plants, merchandised somewhat differently to suit the particular trade area surrounding each store.

Diamond's has developed a merchandising approach reflecting the warm-weather lifestyle and leisure-time activity of the American Southwest. It is a fashion store oriented toward attire and matching accessories, using selective expansion into decorative home products and other areas where potential return on investment meets corporate objectives.

Lipman's is a specialized department store emphasizing customer service, fashion leadership and selective dominance in the core areas of men's and women's apparel and accessories. The heart of its merchandising is aimed at customers with above-average discretionary income.

Lipman's increased the frequency of its fashion-trend presentations in 1974. It also stepped up its emphasis on youth business, backing a wider and deeper merchandise selection with a weekly radio campaign and an active youth special events program.

Lipman's will continue its expansion in 1975 with the opening of its seventh store, a 50,000-square-foot unit in Eugene, Oregon. During the 1972-73 period, it opened two stores and remodeled a third.

John A. Brown completed its four-year program to re-position its business in Oklahoma City with the opening in August of a 150,000-square-foot store in that market's newest and largest shopping center, the Crossroads Mall.

At the same time, the company closed its 59-year-old, 284,000-square-foot downtown store, which was taken as part of a major redevelopment site in the central business district. It also discontinued its 66,000-square-foot Capitol Hill store. These closings significantly reduced John A. Brown's 1974 revenues. But without the drag of these older facilities, the company can continue to build on its new market position as a limited-line fashion department store, dedicated to superior customer service and fashion rightness in all segments of its business.

The company remodeled its Penn Square store in 1974 and took over the Tulsa, Oklahoma, John A. Brown store, which previously had been managed by Diamond's.

Dayton's traditionally has led the Corporation in profit as a percentage of sales—to the point where its performance is sometimes taken for granted. Its improved earnings contribution in 1974 deserves a closer look, however. Despite the pressures of rising costs, Dayton's virtually held the line on its margins, while running ahead of the Corporation's rate of sales growth.

"The key," said Carl R. Erickson, Dayton's President, "was heightened emphasis on fashion merchandising — building excitement through trend merchandising.

"Unless you have worked with trend merchandising, it's hard to understand how well it can work. You bring merchandise in on a test basis—each department may bring in two or three styles of a new idea—and present it on test stands and perhaps support it with an ad.

"When customer response tells us we have a winner, we explode it through the store—in our windows, in our ads, in our displays. On occasion, when we've done it just right, we've drained a market on a new fashion trend before the competition has really gotten into it. If you can determine ahead of other retailers what the customer is going to want in depth, you can be a unique, exciting store that sells an unbelievable amount of goods.

"Dayton's is still geared to appeal to a wide variety of customers—all the way from those who bring us into direct competition with the mass merchants to the most affluent



customers in the community. We think we have unique attractions for the full range of consumers. But our current emphasis is a recognition of our exceptional strength with the more affluent customer, the more sophisticated customer. We have been working harder to capture and hold her.

"For example, we added more specialty store atmosphere by opening several new shops, each with a distinctive boutique quality...Our objective, of course, is to improve our margins by increasing our share of the fashion market."



Low-Margin Stores



Revenues of the low-margin stores group increased 11.5 percent to \$524,600,000 in 1974. Earnings contribution climbed to \$17,216,000, up 32.3 percent from 1973.

Value: Low Prices, High Quality

The low-margin group consists of Target, a discount chain with 46 stores in a north-south corridor of nine central states, and Lechmere, Boston-based hardgoods retailer with four stores in Massachusetts.

Target is a self-service mass merchant offering high-quality apparel and basic merchandise at low prices.

Lechmere stores use a high-volume, low-margin formula that enables them to offer a broad assortment of nationally advertised products at very competitive prices.

Target

Without adding a single new store in 1974, Target increased revenues





by 15.8 percent. Moreover, the company scored its strongest sales gains in the face of softening retail sales nationally. During the important Christmas season, Target's revenues increased more than 20 percent over those of a year earlier.

Target's aim is to be the No. 1 quality discounter in each of its markets. Its thrust over the past two years has been to build a talented and experienced management team and focus on the fundamentals of its retailing formula — dominant selections of everyday basic merchandise, quality and fashion at a price, service where necessary.

It has streamlined its merchandising organization into three regions, each consisting of three districts. One result is increased sensitivity and flexibility in Target's response to the sometimes subtle differences in the merchandising timing and needs of individual markets.

In 1974, Target's customers found a fast-moving ready-to-wear business, a broad assortment of fashion apparel here and dominant selection of name-brand hardgoods. Their response is reflected in Target's results.

Having reiterated its profit-making ability, Target is ready to resume its expansion and is acquiring additional land in strategic locations. It is scheduled to open its sixth St. Louis, Missouri, store in mid-1975, and its third store in Milwaukee, Wisconsin, in the fall. Its tenth store in the Minneapolis-St. Paul area is scheduled for 1976.

Lechmere

Lechmere had a disappointing year. Its 1974 sales declined 1.7 percent, reflecting in part the further weakening of the Boston economy.

Despite this setback, corporate management remains optimistic about Lechmere's potential. Its format is excellent, offering outstanding name-brand selections, clarity of presentation, attractive facilities. Now it has added to its management team with the appointment of David Bunker as its new President. He succeeds Norman D. Cohen, who has become Chairman and continues as Chief Executive.

This team is working to strengthen the merchandising and stores organizations and to upgrade training of personnel to improve product knowledge, customer service and selling ability to better utilize the inherent competitive strength of the Lechmere mode of retailing.

Further expansion will depend on the success of this effort.

Under a strong management team headed by Stephen L. Pistner, President, Target's accelerating sales improvement ran counter to retail sales trends generally in 1974.

"There's nothing magic or particularly exotic about what we're doing at Target," said Mr. Pistner. "It's just fundamental, value-oriented merchandising that's very much in tune with the prevailing consumer mood..."

"Our objective is simply to do what the customer expects and do it better than anyone else."

"First—and most important—that means to be in stock on advertised and basic merchandise. This is the heart of the business. We believe our in-stock condition on advertised merchandise is unequaled in our industry. The customer benefits; we

benefit. It increases our credibility, and the response to ads goes up."

"Another fundamental is convenience. By moving back to the heart of our business, we are giving our customers more of what they have always expected to find; and because of improved display techniques, they are able to find it more quickly. The visual impact of our stores has changed because we are intensifying our merchandising—packing more merchandise into the space available in the most attractive way."

"The third fundamental is quality. This has been one of our principal strengths, and we have worked hard to build on it. We are backing this



drive with a tough testing program. This, in turn, has enabled us to support and widely advertise a liberal return-merchandise warranty."

"These fundamentals add up to an unequivocal image of value—quality and fashion at a price. It gives us a competitive edge."

"The consumer has plenty of motivation to search for value today and she's asking discounters some very basic questions: 'Do you have the merchandise I want?' 'Will you back it up?' 'Will I save money?'

"At Target, the answer to these questions is 'yes.'"

Specialty Stores

A Chain Approach To Specialty Retailing

Revenues increased 17.5 percent to \$124,302,000 in 1974, primarily reflecting continued vigorous expansion of Dayton Hudson's bookstore strategy. Earnings contribution was \$2,806,000, down 6.7 percent from 1973.

The specialty stores group consists of three multi-store companies: B. Dalton, Bookseller (Pickwick Bookshops in Southern California), the nation's second largest bookstore chain; Dayton Hudson Jewelers, a group of six regional fine-jewelry operations; and Team Central, a chain of owned and franchised consumer-electronics stores.



B. Dalton, Bookseller

B. Dalton continued its rapid expansion — and its profit growth—in 1974. It added 47 stores, raising its total to 168 in 37 states at year end. Revenues increased 33.8 percent.

These are intensely merchandised stores—crammed with books, hard-cover and soft. Each store carries at least 30,000 titles, some as many as 50,000. Most have from 3,000 to 4,500 square feet of retail space.

The “nothing-but-books” impact of B. Dalton’s merchandise offering encourages self-selection by customers, and that in turn promotes a high level of impulse buying. The company has its entire stock on computer inventory control, enabling it to track trends as they develop. Local managers give the system flexibility by merchandising to meet local and regional interests



and providing special-order service to customers.

B. Dalton’s current expansion emphasis is on shopping-center locations and on smaller markets. About 35 new stores are planned for 1975.

Dayton Hudson Jewelers

This company’s revenues increased 7.2 percent in 1974, with its strongest increases coming in the fourth quarter.

During 1974, Dayton Hudson Jewelers successfully completed its application of the chain-store concept of centralized controls, advertising and operations, while maintaining the distinctive local images of six fine-jewelry companies with long-established reputations for quality, exclusivity and fashion leadership. They are J. E. Caldwell (Philadelphia), J. B. Hudson (Minneapolis), J. Jessop & Sons (San Diego), C. D. Peacock (Chicago), Shreve’s (San Francisco), and Charles W. Warren (Detroit).

Jewelers’ management sees opportunities for accelerated sales of merchandise of high intrinsic value because of its appeal as a hedge against an uncertain economy.

The company opened three stores in 1974 and plans three openings for 1975. Its growth strategy is to broaden its market base while getting deeper penetration in existing markets.

Team Central

Team is a chain of 26 company-owned and 73 franchised stores specializing in medium-to-medium-high-priced sound reproducing equipment. The consumer electronics

and audio industry is a fast-growing field, and management believes that Team gives Dayton Hudson the base needed to capitalize on this growth.

Team, however, has not yet completed the transition from a wholesale-oriented to a retail-oriented combination of owned and franchised stores. Its 1974 revenue growth—3.2 percent—was slowed by the renegotiation of many of its franchise agreements under various new franchising laws that went into effect during the year.

Team’s current merchandising emphasis is on “de-mystifying” the



field of high fidelity sound reproduction—making it easier to understand and therefore more inviting for potential customers. It is improving depth of stock, while continuing to emphasize efforts to identify pioneering product developments in the field.

Team increased its total of company-owned stores by two in 1974 and plans to open three company-owned stores—along with additional franchised units—in 1975.

Real Estate

Ridgedale's mall



The Investment Builders

Our real estate group, Dayton Hudson Properties, is an investment builder, concentrating primarily on the development of regional shopping centers. It is involved in the entire process—selecting location, designing the center, finding tenants, obtaining financing and acting as manager. It also builds some office buildings and other commercial properties as part of the planned unit development of its centers.

Dayton Hudson Properties owns and operates nine centers—four in the Minneapolis-St. Paul area and five in the Detroit area. They range from a half-million to more than a million square feet of leasable space. Most are anchored by at least two major department stores. All are in prime locations and offer the most extensive array of quality and fashion-oriented specialty stores in their market areas. Three professional buildings and two office buildings are the other major pieces of the operating property portfolio.

By developing both the centers and the commercial and residential property surrounding them, Dayton Hudson Properties has been able to enhance the environment of the retail operations. Since it usually acquires more land than it ultimately uses in these developments, it is able to sell parcels of land as a profitable byproduct.

Dayton Hudson Properties normally does not produce a high level of net earnings. Its emphasis is on generating cash flow for the benefit of both the real estate and retail

sides of the Corporation. Cash flow is defined in this report as "funds provided by operations," or earnings *before* deductions for depreciation and other non-cash charges.

This cash is generated through rental income, land sales and the refinancing of real estate properties as they grow in market value.

The long-term debt on Dayton Hudson Properties' expansion is supported by long-term leases with tenants and is independent of the Corporation's credit.

Through its independent financial strength, its ongoing cash flow contribution and its reservoir of real estate expertise, Dayton Hudson Properties provides a strong and complementary partner for our retail business.

Dayton Hudson Properties

Rental revenues from tenants reached \$28,173,000 in 1974, up 6.2 percent from the prior year. Operating income (income from operating properties before depreciation and interest) totaled \$14,017,000, down 6.6 percent from 1973. The decline in operating income reflected a less favorable expense ratio, brought about in large part by construction delays and the higher than normal

vacancy rates in two of the newer commercial projects.

High interest rates and the uncertain outlook for the economy combined to bring land sales to a virtual halt in the last half of 1974. Land-holding revenues from this source dropped to \$4,115,000 from \$11,415,000 in 1973. About \$2.7 million of the decline resulted from the adoption of the more conservative installment method of recognizing gains or losses on land sales. This method has the effect of more closely matching earnings to the receipt of cash payments.

After charges for development expenses, including significantly higher interest costs, total operations produced a loss of \$362,000. This compares with a profit of \$2,087,000 in 1973.

Development expense in 1974 was reduced by \$1,359,000 as a result of the adoption of an accounting policy to capitalize real property taxes and other costs associated with construction or development. This change brings Dayton Hudson Properties' method of accounting for these expenses more closely into line with the common practice in the real estate industry.

Despite the generally consistent growth of operating income, a combination of rising development expense, unevenness of land sales and the rising cost of money has produced an erratic pattern in Dayton Hudson Properties' net earnings. Management believes that the two changes in accounting procedures described above will help give a more accurate portrayal of the underlying trend of these results.

In mid-1974, Dayton Hudson Properties opened Ridgedale Shopping



Financial Review

Center in Minnetonka, Minnesota, its fourth regional center in the Minneapolis-St. Paul area. Dayton's store in Ridgedale opened August 1. Two other anchor stores—Penney's and Sears—opened early in 1975. The fourth, Donaldson's, is scheduled to open in August.

In line with its policy of continuously upgrading and modernizing its existing centers, Dayton Hudson Properties is enclosing its two oldest Detroit centers, Northland and Eastland. Each has been enlarged to accommodate J. C. Penney stores and additional tenants.

Late in 1974, Dayton Hudson Properties began construction of its first regional center outside of Michigan and Minnesota—Woodland Hills Mall in Tulsa, Oklahoma. The 600,000-square-foot project is being developed as a joint venture with Homart Development Co., with Dayton Hudson Properties as the developing-managing partner.

Dayton Hudson Properties is participating jointly with Homart and The Taubman Company in the construction of two regional centers in Michigan, both of which will exceed 1 million square feet in total space. They are Twelve Oaks Mall at Novi, with Dayton Hudson Properties as the developing-managing partner, and Lakeside Center at Sterling Heights, with Taubman as the developing-managing partner.

Dayton Hudson Properties either owns or holds options on enough additional sites—in existing markets and elsewhere—to meet its expansion needs for the next five years as currently envisioned. In addition to Michigan and Minnesota, these are in Arizona, Idaho, Nevada, North Dakota and Oklahoma.

Financial Goals

The Corporation's primary objective is to provide its shareholders with an optimum long-range return on their investment. To meet that objective, our aim is to grow and earn at a rate equal to the best in industry, while maintaining a strong financial structure.

Our specific goals are to increase earnings at a compound annual rate of 10 percent per year and to earn a return on shareholders' equity of 14 percent. We recognize that to accomplish these goals in the short-term future will require aggressive and outstanding performance. However, we believe these goals represent realistic long-range targets for the Corporation. Among the key elements in their achievement are two of special importance.

First, we must improve our return on assets employed by becoming a more efficient operator in each line of business. Operating management is closely measured on—and rewarded for—its ability to meet an established standard return on those assets.

Second, we must identify the profitable growth strategies for new investment in the future and allocate our projected financial resources to those investments that will provide a return consistent with our long-range goals.

Each year the Corporation and all operating divisions prepare five-year plans. These plans are our roadmap for the future. Divisional sales and profit plans must be consistent with the Corporation's over-all financial goals. Performance in relation to the plans is closely monitored. The Corporation allocates its projected financial resources, using current profitability, development of market position and anticipated return on investment as the primary criteria.

Financial Policies

It is a policy of the Corporation to maintain a strong, conservative financial structure. The capitalization and financing methods are appropriate to each of our lines of business—retail and real estate.

Our standard for our retail business is a maximum 50 percent of debt to total capitalization, including recognition of lease obligations. Income coverage of fixed charges with this balanced capital structure results in a low level of risk. These policies are intended to maintain flexibility as to our sources of funds and to minimize our cost of funds. The majority of retail expansion has been financed with internally generated funds.

The expansion of our real estate business is financed with secured long-term debt. The real estate business is more heavily leveraged than retail because its debt is supported by the credit of long-term leases with a group of diverse tenants.

Line of Business Reporting

Separate financial statements for the retail and real estate lines of business are presented to give a clear picture of these operations. The performance and financial structure of each business should be compared with the standards of its own industry.

Retail Operations

■ Revenues increased 7.5 percent during 1974 over the prior year, and comparable-store revenues increased 3.1 percent. Comparable-store revenues exclude the contribution of stores opened during the preceding 12 months.

	52 Weeks		Increase	Com-
	1974	1973	All	parable
	(Millions)	(Millions)	Stores	Stores
Department Stores	\$ 823.3	\$ 793.5	3.8%	1.4%
Low-Margin Stores	524.6	470.3	11.5%	10.2%
Specialty Stores	124.3	105.7	17.5%	4.6%
Total Retail Revenues.	\$1,472.2	\$1,369.5	7.5%	3.1%

■ Net earnings of the retail business totaled \$25.5 million in 1974, compared with \$25.2 million in 1973.

Earnings Contribution (Before Corporate Expense, Interest and Income Taxes)	1974 (Millions)	1973 (Millions)
Department Stores	\$51.5	\$55.0
Low-Margin Stores	17.2	13.0
Specialty Stores	2.8	3.0
Total Earnings Contribution	\$71.5	\$71.0
Corporate Expense	(6.1)	(7.4)
Interest Expense	(14.3)	(13.4)
Earnings Before Income Taxes	\$51.1	\$50.2
Net Earnings	\$25.5	\$25.2
Retail Earnings Per Share	\$1.59	\$1.57

The relative earnings contribution of our various retail store groups, before corporate expense, interest expense and income taxes, reflects their operating performance, independent of financing costs and allocated expenses. Management believes this is a useful measure. Using the same formula for allocating interest and corporate expense to the three operating groups as reported in prior years, earnings before taxes were department stores \$38.5 million, low margin stores \$11.5 million, and specialty stores \$1.1 million for 1974, versus \$42 million, \$6.6 million and \$1.6 million for the respective groups in 1973.

■ Expansion of retail stores and space includes five new department stores and the net addition of 52 specialty stores.

Department Stores	End of 1974		End of 1973	
Stores and Expansion	Stores	Space*	Stores	Space*
Hudson's	12	5,077	11	4,729
Dayton's	8	3,052	7	2,822
Diamond's	7	863	5	715
Lipman's	6	619	6	618
Brown's	4	353	5	553
Total	37	9,964	34	9,437
Low-Margin Stores				
Target	46	4,797	46	4,790
Lechmere	4	773	4	773
Total	50	5,570	50	5,563
Specialty Stores				
Jewelers	37	240	34	235
Booksellers	168	720	121	500
Team**	26	76	24	67
Total	231	1,036	179	802
Total Retail Stores	318	16,570	263	15,802

*Thousands of Gross Square Feet.

**Includes only 100% owned stores; 73 Team stores are franchised or partially owned.

The five department stores opened during 1974 are:

- Hudson's 187,000-square-foot store in Ann Arbor, Michigan.
- Dayton's 231,000-square-foot store in Minnetonka, Minnesota, a suburb of Minneapolis.
- Diamond's 98,000-square-foot store in Tucson, Arizona.
- Diamond's 50,000-square-foot store in Scottsdale, Arizona.
- John A. Brown's 150,000-square-foot store in Oklahoma City, Oklahoma.

The new John A. Brown store replaced two older stores closed during the year.

In 1975, the Corporation will open two new department stores and two Target stores — a total of 370,000 square feet of retail space. The specialty stores group will continue its expansion, with B. Dalton adding approximately 35 stores, and Jewelers and Team opening three stores each.

Financial Review (continued)

Real Estate Operations

- Revenue from operating properties rose 6.2 percent to \$28.2 million in 1974 from \$26.5 million last year. Landholding revenues were \$4.1 million as compared to \$11.4 million in 1973. Total real estate revenue was \$32.3 million as compared with \$37.9 million last year.
- Net earnings of real estate fell from \$2.1 million in 1973 to a loss of \$.4 million in 1974.

Earnings (Expense) Before Income Taxes	1974	1973
(Millions)		
Operating Properties	\$ 2.0	\$ 4.6
Landholding .....	.8	1.5
Development Expense	(3.8)	(3.0)
Earnings (Loss) Before Income Taxes	\$ (1.0)	\$ 3.1
Net Earnings (Loss)	(.4)	2.1
Depreciation, Deferred Taxes and Other Non-cash Items	5.6	6.1
Funds Provided by Operations	\$ 5.2	\$ 8.2

- Funds Provided by Operations totaled \$5.2 million in 1974, compared with \$8.2 million in 1973. Funds Provided is a measure of cash generated from operations before principal payments on long-term debt. Net earnings (loss), as shown in the table above, differ from Funds Provided because earnings reflect charges for depreciation, deferred taxes and other items that do not require the expenditure of cash.
- Expansion of real estate operations totaled 1.7 million of developed gross leasable square feet — a 22-percent increase — with the completion of Ridgedale in suburban Minneapolis and the expansion and enclosure of Northland and Eastland centers in the Detroit market.

Financial Position

- Working capital requirements have been reduced in relation to sales through effective management of our current asset investments. Year-end working capital as a percent of revenue decreased from 16.3 percent in 1973 to 14.6 percent in 1974. Our consolidated current ratio at the end of 1974 was 2 to 1. Inventory turnover was improved, primarily through an effective program to control merchandise stocks during the year.

- Capital expenditures continued at a strong pace in 1974, \$58.1 million versus \$55.8 million in 1973. Retail capital expenditures were \$36.6 million in 1974, primarily reflecting the completion of five major department stores and the construction of two stores scheduled for opening in 1975.

Real estate capital expenditures were \$21.5 million in 1974, and were concentrated in the construction of a major shopping center and office complex in suburban Minneapolis and the enclosure and expansion of Northland and Eastland Centers in the Detroit area.

- Financing of our two lines of business reflects policies that determine the use of borrowed money. Short-term borrowing is through unsecured bank lines and sale of commercial paper. The average short-term borrowing in 1974 was \$48 million, versus an average of \$40 million in 1973. There was no short-term borrowing at year-end.

Long-term debt of the retail line of business was reduced by \$17 million during 1974. However, rental obligations did increase, primarily for specialty store space.

Average borrowing of the real estate line of business was higher in 1974, reflecting additional construction financing. It added no mortgage debt during the year. In March 1975, we received the proceeds of permanent mortgage financing for Ridgedale Shopping Center — \$15.5 million. During 1975, we will receive permanent mortgage financing for Southdale Office Centre IV, \$5.1 million, which together with the Ridgedale financing replaces most of the \$28 million construction financing carried at year-end 1974.

Dayton Hudson Corporation's total interest expense increased only 13 percent in 1974, in spite of sharply higher interest rates during the year. This reflects the relatively low reliance on short-term borrowing as part of total capitalization.

Corporate Citizenship

Quarterly Comparisons

Comparative quarterly revenues, earnings per common share, and Funds Provided by Operations are as follows:

Revenues		1974			1973		
Quarter	Consolidated	Retail	Real Estate	Consolidated	Retail	Real Estate	
First	\$ 324.2	\$ 313.2	\$11.0	\$ 296.5	\$ 289.6	\$ 6.9	
Second	345.1	337.9	7.2	320.1	310.9	9.2	
Third	367.6	359.9	7.7	334.3	324.2	10.1	
Fourth	467.6	461.2	6.4	456.5	444.8	11.7	
Total Year ..	\$1,504.5	\$1,472.2	\$32.3	\$1,407.4	\$1,369.5	\$37.9	

Earnings Per Common Share							
Quarter	First	Second	Third	Fourth	Total Year ..		
First	\$.12	\$.11	\$.01	\$.08	\$.07	\$.01	
Second .....	.16	.17	(.01)	.11	.10	.01	
Third .....	.24	.28	(.04)	.26	.27	(.01)	
Fourth	1.05	1.03	.02*	1.25	1.13	.12	
Total Year ..	\$ 1.57	\$ 1.59	\$ (.02)	\$ 1.70	\$ 1.57	\$.13	

Funds Provided by Operations							
Quarter	First	Second	Third	Fourth	Total Year ..		
First	\$ 9.4	\$ 7.6	\$ 1.8	\$ 8.4	\$ 6.8	\$ 1.6	
Second	9.2	8.0	1.2	8.3	6.7	1.6	
Third	11.5	10.7	.8	11.7	10.4	1.3	
Fourth	25.0	23.6	1.4	27.4	23.7	3.7	
Total Year ..	\$ 55.1	\$ 49.9	\$ 5.2	\$ 55.8	\$ 47.6	\$ 8.2	

All amounts in millions except earnings per share.

*Includes a 2-cent increase in earnings as a result of accounting changes adopted in the fourth quarter. (See Note E to financial statements.)

Dividend payments to shareholders increased during 1974. The quarterly rate was increased to \$0.15 per share from \$0.13½ per share for the quarterly dividend payable June 10, 1974. The annualized rate of dividends to shareholders is \$0.60 per share. Dividend payments of \$9.3 million in 1974 represented 37 percent of earnings.

Common Stock of the Corporation is listed on the New York Stock Exchange (symbol: DH). Shares are traded on both the New York and Detroit Stock Exchanges. The number of shareholders increased 12.8 percent from 11,576 in 1973 to 13,055 in 1974.

Quarter	Common Stock Price Range				Quarterly Dividends Per Share	
	1974	High	Low	1973	1974	1973
First	\$12	\$9	\$23	\$16%	\$13½	\$13½
Second	11½	8¾	18¾	13%	.15	.13½
Third	9¼	6¾	15¾	11¼	.15	.13½
Fourth	9¾	6½	13	8%	.15	.13½
Year	\$12	\$6½	\$23	\$ 8%	\$58½	\$54

Dayton Hudson Corporation and its operating companies maintain an ongoing commitment to the quality of life in the communities in which we do business. In 1974, the Corporation continued its long-standing practice of utilizing 5 percent of its pretax income for community improvement. Our Board of Directors reviewed and reaffirmed this practice in 1974, and we continue to believe our charitable contributions policy is in the interest of our shareholders.

The well-being of our businesses is interwoven with the well-being of the society in which they operate. The major portion of our contributions was granted to organizations with proven capability to solve social problems, and to those dealing with the arts — an area relatively neglected by government and other funding sources. Donations by the Corporation and the Dayton Hudson Foundation totaled \$2,122,069 in 1974.

Companies also reflect responsible citizenship in the manner in which their businesses are conducted and the sense of responsibility they encourage in their employees. Dayton Hudson's operating companies have formal programs in consumerism, equal employment and advancement opportunity, energy conservation, environmental impact, and community development. Employees are encouraged to participate actively in community programs.

The Board of Directors through its Committee on Social Responsibility is kept aware of Dayton Hudson's progress in areas of corporate citizenship. The Committee provides direction to and monitors the achievement of our citizenship objectives.

A copy of the report on corporate contributions for 1974 is available by writing the Director of Corporate Communications, Dayton Hudson Corporation, 777 Nicollet Mall, Minneapolis, Minnesota 55402.



Results of Operations
Dayton Hudson Corporation and Subsidiaries

CONSOLIDATED

(Thousands of Dollars)

1974 1973

REVENUES

Net retail sales, including leased departments and carrying charges	\$1,470,419	\$1,367,984
Landholding revenues, principally real estate sales ..	4,115	11,415
Rental revenue	<u>29,935</u>	<u>28,077</u>
	<u>\$1,504,469</u>	<u>\$1,407,476</u>

COSTS AND EXPENSES

Cost of retail sales, buying and occupancy	\$1,066,227	\$ 985,845
Cost of real estate sales	1,486	7,594
Selling, publicity and administrative	275,238	259,959
Depreciation and amortization	27,559	25,279
Rental expense	21,825	19,703
Interest expense	23,508	20,730
Taxes other than income taxes	38,551	35,084
	<u>\$1,454,394</u>	<u>\$1,354,194</u>

EARNINGS BEFORE INCOME TAXES

\$ 50,075 \$ 53,282

INCOME TAXES (Note D)

Current	\$ 21,181	\$ 18,951
Deferred	3,711	7,031
	<u>\$ 24,892</u>	<u>\$ 25,982</u>

NET EARNINGS

\$ 25,183 \$ 27,300

NET EARNINGS PER SHARE

\$ 1.57 \$ 1.70

RETAIL

(Thousands of Dollars)

REVENUES

Net retail sales, including leased departments and carrying charges	
Rental revenue	

COSTS AND EXPENSES

Cost of retail sales, buying and occupancy	
Selling, publicity and administrative	
Depreciation and amortization	
Rental expense	
Interest expense	
Taxes other than income taxes	

EARNINGS BEFORE INCOME TAXES

INCOME TAXES (Note D)

Current	
Deferred	

NET EARNINGS

NET EARNINGS PER SHARE

See accompanying Summary of Accounting Policies and Notes to Financial Statements.

REAL ESTATE

(Thousands of Dollars)

1974 1973

\$1,470,419 \$1,367,984

1,762 1,557

\$1,472,181 \$1,369,541

\$1,056,795 \$ 979,870

272,004 255,238

22,642 20,816

21,825 19,703

14,298 13,458

33,507 30,299

\$1,421,071 \$1,319,384

\$ 51,110 \$ 50,157

\$ 22,151 \$ 19,073

3,414 5,871

\$ 25,565 \$ 24,944

\$ 25.545 \$ 25,213

\$ 1.59 \$ 1.57

OPERATING PROPERTIES

Rental revenue from operating properties	\$28,173	\$26,520
Operating expenses:		
Occupancy and administrative	\$ 8,659	\$ 6,895
Maintenance and repairs	1,097	797
Taxes other than income taxes	4,400	3,823
Depreciation and amortization	4,917	4,463
Interest expense	7,094	5,900
	\$26,167	\$21,878

Earnings from operating properties,
before income taxes

\$ 2,006

\$ 4,642

LANDHOLDING

Revenues, principally real estate sales	\$ 4,115	\$11,415
Costs and expenses:		
Cost of real estate sales	\$ 1,486	\$ 7,594
Taxes other than income taxes	618	765
Interest expense	463	547
Other	779	1,014
	\$ 3,346	\$ 9,920

Earnings from landholding,
before income taxes

\$ 769

\$ 1,495

DEVELOPMENT EXPENSE

Development expense, excluding interest	\$ 2,157	\$ 2,187
Interest expense	1,653	825
Total development expense	\$ 3,810	\$ 3,012

EARNINGS (LOSS) BEFORE INCOME TAXES **\$ (1,035)** **\$ 3,125**

INCOME TAXES (Note D)

Current	\$ (970)	\$ (122)
Deferred	297	1,160
	\$ (673)	\$ 1,038

NET EARNINGS (LOSS) **\$ (362)** **\$ 2,087**

NET EARNINGS (LOSS) PER SHARE **\$ (.02)** **\$.13**

Statements of Financial Position

Dayton Hudson Corporation and Subsidiaries

CONSOLIDATED
(Thousands of Dollars)

ASSETS

CURRENT ASSETS

	1974	1973
	February 1, 1975	February 2, 1974
Cash	\$ 10,808	\$ 8,212
Accounts receivable		
Thirty day accounts	5,788	5,203
Deferred payment accounts	208,377	200,496
Other accounts	23,882	18,841
Less allowance for losses	<u>(6,732)</u>	<u>(4,386)</u>
	231,315	220,154
Merchandise inventories (Note A)	183,309	200,026
Supplies and prepaid expenses	7,698	5,420
TOTAL CURRENT ASSETS	\$433,130	\$433,812
INVESTMENTS AND OTHER ASSETS	\$ 24,453	\$ 22,103
PROPERTY AND EQUIPMENT (Note B)		
Land and improvements	\$ 88,846	\$ 86,776
Buildings and improvements	388,481	357,152
Fixtures and equipment	109,659	100,880
Construction in progress	23,361	25,274
Accumulated depreciation	<u>(211,459)</u>	<u>(191,848)</u>
	\$398,888	\$378,234
	\$856,471	\$834,149

LIABILITIES

CURRENT LIABILITIES

	\$ 89,666	\$ 88,711
Accounts payable	29,949	29,148
Taxes other than income taxes	34,930	31,560
Accrued liabilities	17,606	17,033
Income taxes, currently payable	30,882	28,785
Deferred income taxes — installment sales (Note D)	11,019	9,124
TOTAL CURRENT LIABILITIES	\$214,052	\$204,361
LONG-TERM DEBT (Note B)	\$263,822	\$268,771

DEFERRED CREDITS —

principally income taxes (Note D)	\$ 22,486	\$ 20,470
---	------------------	------------------

SHAREHOLDERS' INVESTMENT (Notes B and C)

	\$356,111	\$340,547
	\$856,471	\$834,149

RETAIL

(Thousands of Dollars)

ASSETS

CURRENT ASSETS

Cash .....	.....
Accounts receivable	
Thirty day accounts .....	.....
Deferred payment accounts .....	.....
Other accounts .....	.....
Less allowance for losses .....	.....
Merchandise inventories (Note A) .....	.....
Supplies and prepaid expenses .....	.....
TOTAL CURRENT ASSETS .....	.....

INVESTMENTS AND OTHER ASSETS

PROPERTY AND EQUIPMENT (Note B)	.....
Land and improvements .....	.....
Buildings and improvements .....	.....
Fixtures and equipment .....	.....
Construction in progress .....	.....
Accumulated depreciation .....	.....

LIABILITIES

CURRENT LIABILITIES

Accounts payable .....	.....
Taxes other than income taxes .....	.....
Accrued liabilities .....	.....
Income taxes, currently payable .....	.....
Intercompany accounts .....	.....
Deferred income taxes — installment sales (Note D) .....	.....
Current portion of long-term debt .....	.....
TOTAL CURRENT LIABILITIES .....	.....

LONG-TERM DEBT (Note B)

DEFERRED CREDITS —	.....
principally income taxes (Note D) .....	.....

SHAREHOLDERS' INVESTMENT (Notes B and C)

See accompanying Summary of Accounting Policies and Notes to Financial Statements.

	1974	1973		1974	1973
	February 1, 1975	February 2, 1974		February 1, 1975	February 2, 1974
REAL ESTATE					
(Thousands of Dollars)					
ASSETS					
CURRENT ASSETS					
	\$ 10,620	\$ 8,127		\$ 188	\$ 85
	5,788	5,203		11,239	8,095
	208,377	200,496		(134)	(67)
	12,643	10,746		11,105	8,028
	(6,598)	(4,319)		95	197
	220,210	212,126			
	183,309	200,026			
	7,603	5,223			
	<u>\$421,742</u>	<u>\$425,502</u>			
	\$ 6,356	\$ 7,422			
	\$ 54,949	\$ 51,887			
	261,296	243,419			
	107,365	98,601			
	10,003	13,259			
	(162,326)	(148,135)			
	<u>\$271,287</u>	<u>\$259,031</u>			
	<u>\$699,385</u>	<u>\$691,955</u>			
INVESTMENTS AND OTHER ASSETS					
	\$ 18,097	\$ 14,681			
PROPERTY AND EQUIPMENT (Note B)					
	Land and improvements	\$ 33,897	\$ 34,889		
	Buildings and improvements	127,185	113,733		
	Fixtures and equipment	2,294	2,279		
	Construction in progress	13,358	12,015		
	Accumulated depreciation	(49,133)	(43,713)		
	<u>\$127,601</u>	<u>\$119,203</u>			
	<u>\$157,086</u>	<u>\$142,194</u>			
LIABILITIES					
CURRENT LIABILITIES					
	Accounts payable	\$ 4,582	\$ 3,356		
	Taxes other than income taxes	7,378	6,870		
	Accrued liabilities	1,799	1,409		
	Income taxes, currently payable	(1,235)	(43)		
	Intercompany accounts	4,888	2,061		
	Current portion of long-term debt	4,089	5,422		
	<u>TOTAL CURRENT LIABILITIES</u>	<u>\$ 21,501</u>	<u>\$ 19,075</u>		
	\$147,201	\$163,985			
	LONG-TERM DEBT (Note B)	\$116,621	\$104,786		
DEFERRED CREDITS—					
	\$ 15,210	\$ 14,187		\$ 7,276	\$ 6,283
	<u>\$344,423</u>	<u>\$328,497</u>			
	<u>\$699,385</u>	<u>\$691,955</u>			
	SHAREHOLDERS' INVESTMENT (Notes B and C)	\$ 11,688	\$ 12,050		
	<u>\$157,086</u>	<u>\$142,194</u>			

Statements of Changes in Financial Position

Dayton Hudson Corporation and Subsidiaries

CONSOLIDATED

(Thousands of Dollars)

	1974	1973
FUNDS PROVIDED BY		
Operations:		
Net earnings	\$ 25,183	\$27,300
Items not affecting working capital:		
Depreciation and amortization	27,559	25,279
Increase in non-current deferred income taxes	1,614	2,337
Other items	789	910
Funds provided by operations	\$ 55,145	\$55,826
Increase in long-term debt	8,000	17,639
Disposals of property and equipment	10,589	9,681
(Increase) decrease in working capital	10,373	(3,162)
	\$ 84,107	\$79,984
FUNDS USED FOR		
Additions to property and equipment	\$ 58,160	\$55,775
Reduction of long-term debt	12,949	7,907
Cash dividends	9,603	8,917
Acquisition of treasury stock	16	2,530
Increase in investment in joint ventures	2,113	1,328
Other, net	1,266	3,527
	\$ 84,107	\$79,984
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Increases (decreases) in current assets:		
Cash	\$ 2,596	\$ (9,645)
Accounts receivable	11,161	29,121
Merchandise inventories	(16,717)	2,190
Supplies and prepaid expenses	2,278	530
	\$ (682)	\$22,196
Increases (decreases) in current liabilities:		
Accounts payable	\$ 955	\$ 6,861
Accrued expenses and other	6,268	12,077
Income taxes, currently payable	573	(741)
Current portion of long-term debt	1,895	837
	\$ 9,691	\$19,034
Net increase (decrease)	\$ (10,373)	\$ 3,162

See accompanying Summary of Accounting Policies and Notes to Financial Statements.

RETAIL

(Thousands of Dollars)

FUNDS PROVIDED BY

Operations:
Net earnings

Items not affecting working capital:
Depreciation and amortization

Increase in non-current deferred income taxes

Other items

Funds provided by operations

Disposals of property and equipment

Dividends received from real estate

Other, net

(Increase) decrease in working capital

FUNDS USED FOR

Additions to property and equipment

Reduction of long-term debt

Cash dividends

Acquisition of treasury stock

CHANGES IN COMPONENTS OF WORKING CAPITAL

Increases (decreases) in current assets:

Cash

Accounts receivable

Merchandise inventories

Supplies and prepaid expenses

Increases (decreases) in current liabilities:

Accounts payable

Accrued expenses and other

Income taxes, currently payable

Current portion of long-term debt

Intercompany accounts

Net increase (decrease)

REAL ESTATE

(Thousands of Dollars)

1974 1973

1974 1973

\$ 25,545	\$ 25,213
22,642	20,816
1,317	1,177
393	390
\$ 49,897	\$ 47,596
1,746	2,010
—	8,900
380	1,845
11,025	(3,087)
\$ 63,048	\$ 57,264

FUND PROVIDED BY

Operations:

Net earnings (loss)	\$ (362)	\$ 2,087
---------------------------	-----------------	----------

Items not affecting working capital:

Depreciation and amortization	4,917	4,463
Increase in non-current deferred income taxes	297	1,160
Other items	396	520
Funds provided by operations	\$ 5,248	\$ 8,230
Reduction of long-term debt	(5,549)	(5,173)
Funds after debt service	\$ (301)	\$ 3,057

Other sources:

Increase in long-term debt	16,050	28,440
Disposals of property and equipment	8,843	7,671
(Increase) decrease in other working capital items, net ..	1,081	(1,474)
	\$25,673	\$37,694

FUND USED FOR

\$ 36,645	\$ 33,313
16,784	12,504
9,603	8,917
16	2,530
\$ 63,048	\$ 57,264

Additions to property and equipment	\$21,515	\$22,322
Dividends paid to retail	—	8,900
Increase (decrease) in long-term receivables	(237)	5,852
Increase in investment in joint ventures	2,113	1,328
Other, net	2,282	(708)
	\$25,673	\$37,694

\$ 2,493	\$ (9,091)
8,084	26,330
(16,717)	2,190
2,380	498
\$ (3,760)	\$19,927

\$ (271)	\$ 5,243
5,370	12,803
1,765	157
3,228	(194)
(2,827)	(1,169)
\$ 7,265	\$ 16,840
\$ (11,025)	\$ 3,087

Summary of Accounting Policies

Dayton Hudson Corporation and Subsidiaries

Dayton Hudson Corporation uses the accrual method of accounting following generally conservative accounting policies. The following is a more specific description of those policies.

Consolidation. The financial statements include the accounts of Dayton Hudson Corporation and subsidiaries, all of which are wholly owned. Joint ventures of the real estate subsidiaries, which are not material in amount, are accounted for on an equity basis.

Financial Data by Line of Business. Dayton Hudson Corporation operates its retail business through department stores, low-margin stores and specialty stores. Through its real estate business, it also owns, develops and manages regional shopping centers, commercial properties and office buildings.

In order to more clearly describe the separate effects of the retail and real estate activities on the Corporation's results of operations, flow of funds, and financial position, separate financial statements have been presented for the retail and real estate activities in addition to the consolidated financial statements. Because informative reporting requirements differ widely between retail and real estate, it is not always possible to total individual captions on the retail and real estate financial statements to agree with consolidated captions. Since legal entities are not exclusively retail or real estate, the following allocation methods have been employed to prepare the separate financial statements.

Assets, liabilities, revenues and expenses specifically identifiable as either retail or real estate have been so designated, with those not specifically identifiable allocated as follows:

1. Shopping center property, including related depreciation, owned by real estate and utilized by department stores, is allocated to the applicable retail stores on the basis of the percentage of area occupied by the Corporation's department stores to gross area. The common mall areas, heating, ventilating and air conditioning facilities of the shopping centers are considered real estate properties. Parking lot area is allocated on the basis of leasable space in the center, which is consistent with industry standards.
2. Secured debt and related interest are allocated on the basis of the property pledged as collateral to the debt. Unsecured long-term debt has been assigned to retail except for the portion utilized to finance real estate construction in progress and properties completed but not yet permanently financed. Subsequent to year end 1974, the proceeds from permanent mortgage financing on a shopping center completed but not permanently financed were received.
3. Property taxes are allocated on the basis of gross leasable area, which is in accordance with general terms of leases with shopping center tenants.
4. Separate income tax provisions are computed for each line of business. Tax benefits and items that require specific treatment in the consolidated Federal income tax return are assigned to the originating line of business. Deferred income taxes have been assigned to the real estate or retail line of business based on the assets or liabilities associated with those deferred taxes.

5. Corporate Office expenses are allocated based on assets, sales and payroll dollars.

Elsewhere in the annual report, financial information is presented for department stores, low-margin stores, and specialty stores.

Property and Equipment. Property and equipment is carried at cost less accumulated depreciation.

Depreciation is computed using the straight line method for financial reporting purposes and accelerated methods for tax purposes.

The following estimated lives are used in computing depreciation:

Buildings and land
improvements 20 to 50 years
Fixtures and
equipment 3 to 20 years
Leasehold
improvements . . . Life of lease or useful life of asset

The real estate group capitalizes real property taxes and certain other costs, exclusive of interest, associated with the construction or development of a project. The retail group expenses real property taxes and interest.

Costs capitalized by real estate are classified as construction in progress until the project becomes operational, at which time the accumulated project costs are transferred to operating property categories and depreciated over the appropriate life. Preliminary development expenses are charged to current operations until there is commitment to construction of a project. Interest and real estate taxes related to land held for future development or sale are expensed as incurred.

Accounts Receivable and Allowance for Losses. Retail customer accounts receivable are written off in full when

any portion of the unpaid balance is past due twelve months. The allowance for losses arising from uncollectible customer accounts receivable is based on historical bad debt experience and current agings of the accounts.

Employee Benefits. The Corporation and its subsidiaries have several retirement plans covering substantially all employees. Pension costs are funded as accrued. In addition, a Savings and Stock Purchase Plan is made available to substantially all employees who meet the eligibility requirements (primarily based on age and length of service). Employees can contribute up to a maximum of ten percent of their salaries to the Plan. Under this plan the Corporation contributes 50 cents for each dollar deposited by the employee up to a maximum of 2½% of the participant's current cash compensation. Vesting commences after participating in the plan one year. The employee is fully vested after six years under amendments adopted in 1974.

Other Costs. Expenses incurred in obtaining long-term financing are amortized over the term of the related debt.

Leasing expenses and allowances to tenants for leasehold improvements are amortized over the life of the lease.

Expenses associated with the opening of new stores are charged against income as they are incurred.

Inventories. Inventories and related cost of sales are accounted for principally by the retail inventory method using the last-in, first-out (LIFO) basis.

Income Taxes. Deferred income taxes are provided for income and expenses which are recognized in different accounting periods for financial reporting than for income tax purposes.

Gross profit on retail installment sales is recognized for financial reporting pur-

poses when the sales are recorded. For income tax purposes the installment method of reporting profit on installment sales is used.

Deferred income taxes arising from retail installment sales are included in the Statement of Financial Position as a current liability. Deferred taxes resulting from real estate installment sales and from the use of accelerated depreciation methods are included in "Deferred Credits" in the Statement of Financial Position.

The Corporation and its subsidiaries file a consolidated Federal income tax return.

The income tax provision includes Federal and State income taxes computed at ordinary and capital gains rates where applicable. Investment credit has been used to reduce income taxes in the year the property was placed in service.

Per Share Data. Earnings per common share, consolidated and retail, have been computed after provision for dividends on preferred stock, based upon the weighted average number of shares (15,850,000 in 1974 and 15,890,000 in 1973) outstanding during the year. Per share amounts for real estate have been computed based on net income of real estate operations.

Fiscal Year. The Corporation's fiscal year ends on the Saturday closest to January 31. Fiscal year 1974 ended on February 1, 1975; fiscal year 1973 ended on February 2, 1974. Each of these years comprised 52 weeks.

Reclassification of Accounts. Certain account balances of prior years have been reclassified to conform with classifications in 1974. None of these reclassifications had an effect on net earnings.

Notes to Financial Statements

Dayton Hudson Corporation and Subsidiaries

A. INVENTORIES AND COST OF SALES

Substantially all inventories are recorded at cost on the last-in, first-out (LIFO) method.

Merchandise inventories used in computing cost of goods sold are as follows:

	Millions
February 1, 1975	\$183.3
February 2, 1974	\$200.0
February 3, 1973	\$197.8

Inventories at February 1, 1975 and February 2, 1974 are stated \$39.9 million and \$21.8 million, respectively, less than the amounts which would have been determined under the retail method without regard to last-in, first-out principles.

B. LONG-TERM DEBT And Other Borrowings

(Thousands of Dollars)

A summary of long-term debt due beyond one year is as follows:

	February 1, 1975			February 2, 1974		
	Consol- idated	Retail	Real Estate	Consol- idated	Retail	Real Estate
Notes under 1971 Credit Agreement	\$ 40,000	\$ 11,950	\$ 28,050	\$ 32,000	\$ 20,000	\$ 12,000
Notes under 1973 Credit Agreement	21,875	21,875		25,000	25,000	
Sinking Fund Debentures	47,753	47,753		50,000	50,000	
5 3/4% Sinking Fund Notes — payable \$800,000 annually to 1982	6,400	6,400		7,200	7,200	
6% Sinking Fund Notes and other unsecured notes — maturing at various dates to 1985 and bearing interest at from 4% to 7 1/2% ...	4,001	4,001		4,235	4,235	
Mortgage notes, notes and con- tracts for purchase of real estate — payable over periods ranging to 30 years from inception and bearing interest at from 4% to 10%	143,793	55,222	88,571	150,336	57,550	92,786
	\$263,822	\$147,201	\$116,621	\$268,771	\$163,985	\$104,786

The notes under the 1971 Revolving Credit Agreement, as amended in 1973, bear interest at the prime rate (9% at February 1, 1975) and are payable on December 31, 1976. The maximum amount available under the Agreement is \$40 million and the Corporation may, at any time prior to maturity, convert the commitment balance into a term loan payable in 16 equal quarterly installments commencing three months after the conversion date. In February of 1975 and 1974, the \$40 million and \$32 million outstanding at year end 1974 and 1973, respectively, were refinanced by short-term borrowings.

In compensation for the revolving credit, the Corporation was expected to and did maintain average net collected balances of approximately \$3.8 million during 1974. These balances served as part of the Corporation's operating cash balance, and were at all times legally subject to withdrawal without restrictions. A commitment fee of $\frac{1}{2}$ of 1% per annum is payable on the unused commitment balance under the Agreement.

The notes under the 1973 Credit Agreement bear interest at a variable rate not to exceed an average of 7 1/4% over the life of the Agreement. The maximum amount available under the Agreement is \$25 million. On January 2, 1975, the Corporation exercised the option converting the balance to a term loan payable in 32 equal quarterly installments with final maturity on January 3, 1983. The Corporation is not required to maintain compensating balances under the Agreement.

The 7 3/4% (\$22,753) and 9 3/4% (\$25,000) Sinking Fund Debentures, due in 1994 and 1995, respectively, are redeemable through minimum annual sinking fund payments of \$1.25 million commencing in 1975 and 1976, respectively.

The 7 3/4% and 9 3/4% Sinking Fund Debentures, the Credit Agreements and the 5 3/4% and 6% Sinking Fund notes each contain varying provisions and restrictions for the protection of the lenders relating to working capital, sale of receivables, dividends and other restricted payments, and other restrictive covenants. Under the most restrictive of these provisions, \$79.3 million of retained earnings at February 1, 1975 was available for dividends and other restricted payments.

The book value of land, buildings and equipment pledged as collateral to mortgage notes and contracts aggregated \$149.2 million at February 1, 1975.

Aggregate annual principal payments on long-term debt (exclusive of notes under the 1971 credit agreement) for the next five years are as follows: 1975 — \$11,019; 1976 — \$15,260; 1977 — \$19,505; 1978 — \$12,093 and 1979 — \$11,811.

The Corporation has available annually renewable, unsecured lines of credit totaling \$105.5 million with 16 banks. Borrowing under these lines is at the prime interest rate. During 1974, the maximum short-term debt (bank lines and commercial paper) outstanding on any one day was \$82 million, and the average was approximately \$48 million. The average interest rate paid on short-term borrowing was approximately 11%. In compensation for the line of credit arrangements at the banks, the Company was expected to and did maintain average net collected compensating balances (ledger balances less float, as computed by the banks) of approximately \$9.7 million. These balances were at all times legally subject to withdrawal with no restrictions, and served as part of the Corporation's operating cash balance.

C. SHAREHOLDERS' INVESTMENT

(Thousands of Dollars)

	Line of Business		Consolidated				
	Retail	Real Estate	Total	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings
Balance February 3, 1973	\$305,831	\$18,863	\$324,694	\$617	\$16,017	\$39,333	\$268,727
Net earnings	25,213	2,087	27,300				27,300
Cash Dividends:							
Common Stock (\$.54 a share)	(8,583)		(8,583)				(8,583)
Preferred Stock	(334)		(334)				(334)
Common Stock Purchased for Treasury (167,200 shares)	(2,530)		(2,530)		(167)		(2,363)
Dividend -- Real estate to retail	8,900	(8,900)					
Other			(10)	2	8		
Balance February 2, 1974	\$328,497	\$12,050	\$340,547	\$607	\$15,852	\$39,341	\$284,747
Net earnings (loss)	25,545	(362)	25,183				25,183
Cash Dividends:							
Common Stock (\$.58½ a share)	(9,273)		(9,273)				(9,273)
Preferred Stock	(330)		(330)				(330)
Common Stock Purchased for Treasury (4,531 shares)	(16)		(16)		(4)		(12)
Balance February 1, 1975	\$344,423	\$11,688	\$356,111	\$607	\$15,848	\$39,341	\$300,315

Preferred Stock — Authorized 200,000 shares voting without par value, issuable in series, outstanding at February 1, 1975, and February 2, 1974, 33,675 shares of \$5 Convertible Preferred Stock (liquidation value of \$3.4 million), and 27,000 shares of \$6 Convertible Preferred Stock (liquidation value of \$2.7 million); convertible into Common Stock at 2½ shares for each share of Preferred Stock.

Common Stock — Authorized 20,000,000 shares par value \$1 a share; 16,081,118 shares issued less 233,118 and 228,587 shares in Treasury at February 1, 1975, and February 2, 1974, respectively.

Based on the Corporation's anticipated future operations and expenditures and current income tax policies, no substantial reduction in the deferred income tax balance is anticipated in the succeeding three years.

The real estate loss before income taxes in 1974 was reduced by tax credits resulting in an effective tax rate of 65%. This rate is higher than normal because of a contribution of appreciated property to a charitable organization resulting in additional income tax benefits.

E. ACCOUNTING CHANGES

The Corporation adopted two changes in accounting policy during the year ended February 1, 1975 affecting the real estate line of business. Both changes were made in the fourth quarter of 1974, retroactive to February 3, 1974.

The more conservative policy of recording land sale gains using the installment sales method was adopted. Previously the entire gain was recognized at time of sale, unless major contingencies existed. This change decreased consolidated and real estate net earnings for the year ended February 1, 1975, \$339,000 or \$.02 per share. Also adopted was the policy generally followed by other real estate development companies of capitalizing real property taxes and certain other costs relative to the construction and leasing of development projects. These development costs previously were expensed as incurred. Real estate continues to expense interest as incurred. Consolidated and real estate net earnings for the year ended February 1, 1975 increased \$680,000 or \$.04 per share as a result of the change.

The net effect of these changes (an increase in net earnings of \$341,000 or \$.02 per share for the year ended February 1, 1975) is not considered material to 1974 consolidated net earnings or to the consolidated earnings trend.

F. STOCK OPTION PLANS

The Corporation has two stock option plans for key employees. No new options will be awarded under the Qualified Stock Option Plan, adopted by the Corporation in 1967. Under the 1972 Employee Stock Option Plan as amended, certain eligible employees have received qualified stock options, non-qualified stock options, and rights to receive, without payment of cash to the Corporation, a number of shares as determined under a formula in lieu of exercise of the related qualified and nonqualified stock options.

D. INCOME TAX EXPENSE

(Thousands of Dollars)

The components of the provision for income taxes are as follows:

	1974			1973		
	Total	Federal	State	Total	Federal	State
Consolidated:						
Current	\$21,181	\$18,378	\$2,803	\$18,951	\$16,149	\$2,802
Deferred	3,711	3,378	333	7,031	6,158	873
Total	\$24,892	\$21,756	\$3,136	\$25,982	\$22,307	\$3,675
Retail:						
Current	\$22,151	\$19,346	\$2,805	\$19,073	\$16,395	\$2,678
Deferred	3,414	3,093	321	5,871	5,132	739
Total	\$25,565	\$22,439	\$3,126	\$24,944	\$21,527	\$3,417
Real Estate:						
Current	\$ (970)	\$ (968)	\$ (2)	\$ (122)	\$ (246)	\$ 124
Deferred	297	285	12	1,160	1,026	134
Total	\$ (673)	\$ (683)	\$ 10	\$ 1,038	\$ 780	\$ 258

Deferred income taxes result from timing differences in the recognition of revenue and expense for financial reporting and income tax purposes. The timing differences and the related deferred taxes are as follows:

	1974			1973		
	Consol- idated	Retail	Real Estate	Consol- idated	Retail	Real Estate
Excess of tax over book depreciation	\$1,704	\$1,083	\$621	\$2,155	\$1,437	\$ 718
Deferred income on installment sales	1,796	2,097	(301)	5,048	4,694	354
Other	211	234	(23)	(172)	(260)	88
Total	\$3,711	\$3,414	\$297	\$7,031	\$5,871	\$1,160

Notes to Financial Statements (continued)

The options were granted at 100% of market at date of grant with qualified stock options expiring in five years and non-qualified stock options in ten years. To the extent option shares are used in calculating stock rights, the related option shares are cancelled. Under the 1972 Stock Option Plan, 400,000 shares were originally reserved for issuance. Shares available for grant at February 1, 1975 and February 2, 1974 were 199,560 and 328,000, respectively.

Certain stock options granted and to be granted could, under certain circumstances, result in charges against operations of the Corporation as compensation to the participant. There were no such charges during 1974 and 1973.

Shares under option were as follows:

	1974		1973	
	Number of Shares	Price Per Share	Number of Shares	Price Per Share
Outstanding — beginning of year	167,700	\$11.25 to \$39.00	194,650	\$24.125 to \$39.00
Granted	134,065	\$ 7.94 to \$10.44	39,400	\$11.25 to \$18.07
Cancelled	24,375	\$ 7.94 to \$39.00	66,350	\$24.125 to \$39.00
Outstanding — end of year	277,390	\$ 7.94 to \$37.188	167,700	\$11.25 to \$39.00
Number of Shares Exercisable	82,963	\$11.25 to \$37.188	65,325	\$24.125 to \$39.00

G. PENSION AND SAVINGS AND STOCK PURCHASE PLANS

Contributions to the Corporation's pension plans for fiscal 1974 and 1973 were \$6.0 million and \$5.1 million, respectively. The actuarially computed value of vested benefits of one plan exceed the book value of its applicable assets by \$3.9 million in 1974 and \$2.6 million in 1973. In another plan, the book value of the assets exceed the actuarially computed value of vested benefits by \$6.1 million in 1974 and \$7.1 million in 1973. The combined assets, based on year-end values, and liabilities, based on the employee census as of the beginning of the year, of the plans are as follows:

	(Thousands of Dollars)	
	1974	1973
ASSETS		
Insurance Contracts	\$11,393	\$11,580
Fixed Income Securities	18,558	13,786
Equity Securities	37,795	43,132
Total Assets at Cost (market value: 1974 — \$55,771, 1973 — \$63,972)	\$67,746	\$68,498
LIABILITIES		
Vested Benefits	\$64,939	\$62,940
Accrued Benefits, Not Vested	13,601	14,872
Unfunded Liability	(10,794)	(9,314)
Total Liabilities	\$67,746	\$68,498

Certain changes will be made in the pension plans to comply with the 1974 pension reform act. These changes will be effective in 1976. Based upon present employee census, these factors are expected to increase pension costs by approximately \$1 million in 1976.

Contributions to the Savings and Stock Purchase Plan by the Corporation were \$1.8 million in 1974 and \$1.6 million in 1973. The condensed balance sheet of the Plan is as follows:

	(Thousands of Dollars)	
	January 31 1975	1974
ASSETS		
Investments, at market value:		
Dayton Hudson Stock Fund	\$ 2,827	\$ 1,776
Fixed Income Fund	3,356	2,500
Equity Fund	13,360	12,927
Total Assets	\$19,543	\$17,203
LIABILITIES		
Funds payable for securities and plan withdrawals	\$ 318	\$ 278
Plan equity	19,225	16,925
Total Liabilities	\$19,543	\$17,203

H. COMMITMENTS AND CONTINGENCIES

(Thousands of Dollars)

	1974	1973
Financing leases:		
Minimum rentals	\$ 3,473	\$ 2,881
Contingent rentals	624	533
	\$ 4,097	\$ 3,414
Other leases:		
Minimum rentals	\$11,371	\$10,537
Contingent rentals	3,661	2,555
	\$15,032	\$13,092
	\$19,129	\$16,506

Sublease income of \$1,180 (financing leases — \$576; other leases — \$604) for 1974 and \$1,201 (financing leases — \$507; other leases — \$694) for 1973 have been deducted from total rentals in determining the above expenses.

Financing leases have not been capitalized in the accompanying financial statements.

Contingent rentals are generally based upon a percentage of sales. Most leases require additional payments for real estate taxes, insurance, and other expenses.

The consolidated minimum annual rentals of long-term noncancelable leases of the Corporation and subsidiaries at February 1, 1975, net of rentals to be received from noncancelable subleases for space leased to others, were as follows:

	Total	Financing Leases		Other Leases	
		Real Property	Personal Property	Real Property	Personal Property
1975	\$15,571	\$ 2,896	\$ 895	\$11,205	\$575
1976	15,955	2,914	907	11,725	409
1977	15,701	3,005	907	11,601	188
1978	15,331	3,105	759	11,358	109
1979	14,618	3,120	552	10,902	44
1980-1984	64,988	15,160	1,317	48,511	
1985-1989	41,151	12,504		28,647	
1990-1994	21,570	11,045		10,525	
After 1994	25,367	17,161		8,206	

The above minimum rentals reflect the Corporation's gross lease obligations reduced by sublease income from real property annually averaging \$879 for 1975-1979 and aggregating \$2,488 for 1980-1984; \$689 for 1985-1989; \$62 for 1990-1994, and none for years after 1994. Substantially all leases are for property used by the retail companies.

The estimated present values and related interest rates of net minimum rental commitments for financing leases at February 1, 1975, and February 2, 1974, are as follows:

Interest Rates			Present Value	
Weighted Average		Range	Feb. 1, 1975	Feb. 2, 1974
1974	1973	1974	1973	
7.8%	7.1%	5%-12%	5%-10%	\$37,086 \$32,155

Substantially all financing leases are for real property.

If all financing leases had been capitalized, net income for 1974 and 1973 would have been reduced approximately 1% for both years.

Commitments for construction of new facilities and the purchase of real estate amounted to approximately \$14.4 million at February 1, 1975.

The Corporation's Federal income tax returns for the years 1970 and 1971 are currently being examined by the Internal Revenue Service. The Corporation has not received any report or assessment of tax deficiency for these years and believes its tax returns have been accurately and correctly submitted.

I. CREDIT SALES RESULTS

Credit sales were \$623.3 and \$588.0 million for 1974 and 1973, respectively. Regular charge account sales, including revolving charge accounts, were approximately 97% of total credit sales. Time payment accounts make up the balance of credit sales.

The cost of the retail credit operation presented in accordance with a practice generally followed by the retail industry is as follows:

(In millions)	1974	1973
Costs		
Administration	\$17.5	\$16.8
Interest	13.2	10.5
Provision for bad debts	9.0	5.0
Total costs	\$39.7	\$32.3
Finance charge revenue	\$22.3	\$19.2
Gross cost of credit	\$17.4	\$13.1
Net cost of credit (net of income tax credit of \$8.7 and \$6.4)	\$ 8.7	\$ 6.7
Net cost as a percent of credit sales	1.4%	1.1%

Administration costs include in-store costs related to credit activities as well as the direct cost of operating the credit offices.

Interest cost is computed by applying the average interest rate incurred on retail operations (8.0% for 1974 and 7.3% for 1973) to the average total customer accounts receivable reduced by deferred income taxes resulting from retail revolving and time payment account sales.

The income tax credit is computed at the retail effective income tax rate.

The Corporation is unable to measure incremental sales attributable to the extension of credit.

J. ALTERNATIVE ACCOUNTING POLICY

The real estate line of business follows the practice of expensing interest incurred on construction in progress and all costs incurred on land held for future development (interest and real property taxes). Most companies in the real estate industry, comparable to the Dayton Hudson real estate line of business, follow a policy of capitalizing these costs. If Dayton Hudson followed the alternative accounting policy of capitalizing these costs for its real estate line of business, approximately \$2,630,000 in 1974 (\$.08 per share) and \$1,326,000 in 1973 (\$.04 per share) of costs expensed would have been capitalized.

Accountants' Report

Board of Directors and Shareholders
Dayton Hudson Corporation
Minneapolis, Minnesota

We have examined the statements of financial position of Dayton Hudson Corporation and subsidiaries and of their Retail and Real Estate Operations as of February 1, 1975, and February 2, 1974 and the related statements of results of operations, shareholders' investment and changes in financial position for the years then ended. We have also examined the Ten Year Comparisons and the Operating Results included in the Five Year Comparisons on pages 30-33. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Dayton Hudson Corporation and subsidiaries at February 1, 1975, and February 2, 1974, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. It is also our opinion that the financial statements referred to above of the Company's Retail and Real Estate Operations are presented fairly in conformity with the accounting practices described in the Summary of Accounting Policies set forth in the financial statements, applied on a consistent basis except for the changes, with which we concur, described in Note E to the financial statements. Further, it is our opinion that the Ten Year Comparisons and the Operating Results presented in the Five Year Comparisons fairly presents the information therein set forth.

Minneapolis, Minnesota
March 21, 1975

Ernst & Ernst

Ten Year Comparisons

Dayton Hudson Corporation
and Subsidiaries

The Ten Year Comparisons should be read
in conjunction with the Financial Review and
Financial Statements.

^aOn a historical basis after giving retroactive
effect to stock splits.

TOTAL REVENUES (Millions)

Cost of retail sales, buying and occupancy
Interest expense

EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS (Millions)

INCOME TAXES – Federal, state and local (Millions)

EARNINGS BEFORE EXTRAORDINARY ITEMS (Millions)

NET EARNINGS (Millions)

DEPRECIATION AND AMORTIZATION (Millions)

RETURN ON BEGINNING SHAREHOLDERS' EQUITY

PER COMMON SHARE

→ Net earnings before extraordinary items
— Net earnings
— Cash dividend^a
— Book value

CAPITAL EXPENDITURES (Millions)

YEAR END FINANCIAL POSITION (Millions)

Working capital

Property and equipment, net of depreciation:

Retail

Real Estate

Total

Long-term debt:

Retail

Real Estate

Total

Shareholders' equity

AVERAGE COMMON SHARES OUTSTANDING (Thousands)

1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
\$1,504.5	\$1,407.5	\$1,297.4	\$1,120.8	\$ 971.3	\$ 890.2	\$ 813.4	\$ 728.4	\$ 666.3	\$ 602.7
\$1,066.2	985.8	917.5	784.8	684.6	621.2	569.0	511.2	465.3	419.5
\$ 23.5	20.7	18.5	18.0	17.5	12.2	6.4	5.7	5.6	4.9
\$ 50.1	53.3	54.6	45.7	37.6	48.1	51.0	46.6	44.6	46.0
\$ 24.9	26.0	26.4	21.0	18.6	24.4	26.4	22.0	20.7	22.1
\$ 25.2	27.3	28.2	24.7	19.0	23.7	24.6	24.6	23.9	23.9
\$ 25.2	27.3	27.5	24.7	19.0	23.7	24.6	24.6	23.9	23.9
\$ 27.6	25.3	24.4	22.6	19.7	16.2	14.0	13.0	12.3	11.0
7.4%	8.4%	9.2%	8.6%	7.0%	9.3%	10.3%	11.6%	12.4%	13.8%
\$ 1.57	1.70	1.74	1.52	1.16	1.49	1.54	1.58	1.58	1.54
\$ 1.57	1.70	1.70	1.52	1.16	1.49	1.54	1.58	1.58	1.54
\$.54	.52	.50	.50	.50	.50	.40	.16	.07	.01
\$ 22.09	21.10	19.88	18.70	17.69	16.84	15.94	14.86	13.47	11.89
\$ 58.1	55.8	36.9	33.3	56.8	92.8	52.9	32.5	29.3	23.8
\$ 219.1	229.5	226.3	175.7	159.2	148.8	135.0	134.8	126.7	118.7
\$ 271.3	259.0	248.5	243.8	234.7	206.7	159.5	123.6	109.4	98.7
\$ 127.6	119.2	112.6	110.7	113.4	105.8	79.2	78.5	79.9	75.1
\$ 398.9	378.2	361.1	354.5	348.1	312.5	238.7	202.1	189.3	173.8
\$ 147.2	164.0	176.4	153.0	146.5	124.4	80.4	51.0	52.8	44.1
\$ 116.6	104.8	82.6	74.2	76.1	69.3	38.4	47.3	51.5	53.8
\$ 263.8	268.8	259.0	227.2	222.6	193.7	118.8	98.3	104.3	97.9
\$ 356.1	340.5	324.7	305.8	289.6	269.7	255.8	237.7	211.5	193.5
15,850	15,890	16,017	16,017	16,020	15,814	15,850	15,262	14,582	14,894

**Five Year
Comparisons**
Dayton Hudson Corporation
and Subsidiaries

RETAIL

^aEarnings data for 1972 are exclusive of extraordinary items of \$.7 million

^bCalculated using average square footage

^cDeducted in determining earnings contributions

	1974 Dollar Amount	Percent of Total	1973 Dollar Amount	Percent of Total	1972 ^a Dollar Amount	Percent of Total
OPERATING RESULTS (Millions)						
Revenues						
Department Stores	\$ 823.3	55.9%	\$ 793.5	57.9%	\$ 732.9	58.0%
Low-Margin Stores	524.6	35.6	470.3	34.4	440.4	34.9
Specialty Stores	124.3	8.5	105.7	7.7	89.5	7.1
Total	\$ 1,472.2	100.0%	\$ 1,369.5	100.0%	\$ 1,262.8	100.0%
Earnings Contribution (Before expenses listed below)						
Department Stores	\$ 51.5	72.0%	\$ 55.0	77.5%	\$ 50.1	72.2%
Low-Margin Stores	17.2	24.1	13.0	18.3	16.6	23.9
Specialty Stores	2.8	3.9	3.0	4.2	2.7	3.9
Total	\$ 71.5	100.0%	\$ 71.0	100.0%	\$ 69.4	100.0%
Corporate Expense	6.1		7.4		6.5	
Interest Expense	14.3		13.4		13.2	
Earnings Before Income Taxes	\$ 51.1		\$ 50.2		\$ 49.7	
Income Taxes	25.6		25.0		24.4	
Net Earnings	\$ 25.5		\$ 25.2		\$ 25.3	
OTHER INFORMATION						
Number of Stores						
Department Stores	37		34		31	
Low-Margin Stores	50		50		50	
Specialty Stores	231		179		130	
Total Square Feet (Thousands)						
Department Stores	9,964		9,437		9,181	
Low-Margin Stores	5,570		5,563		5,518	
Specialty Stores	1,036		802		627	
Sales Per Square Foot^b						
Department Stores	\$ 84.87		\$ 85.24		\$ 79.34	
Low-Margin Stores	94.23		84.88		90.43	
Specialty Stores	135.26		147.83		156.47	
Capital Expenditures (Millions)						
Department Stores	\$ 27.2		\$ 24.8		\$ 9.6	
Low-Margin Stores	4.9		4.5		14.9	
Specialty Stores	4.5		4.0		2.5	
Total	\$ 36.6		\$ 33.3		\$ 27.0	
Start-Up Costs (Expensed as Incurred) (Millions)^c						
Department Stores	\$ 6.1		\$ 4.8		\$ 2.3	
Low-Margin Stores .....	.7		.9		4.0	
Specialty Stores	1.1		1.0		.5	
Total	\$ 7.9		\$ 6.7		\$ 6.8	

REAL ESTATE

1971		1970	
Dollar Amount	Percent of Total	Dollar Amount	Percent of Total

\$ 674.2	61.9%	\$ 602.3	63.6%
345.8	31.8	289.0	30.5
68.3	6.3	55.6	5.9
\$1,088.3	100.0%	\$ 946.9	100.0%
\$ 38.4	64.5%	\$ 37.5	70.1%
18.9	31.8	14.8	27.7
2.2	3.7	1.2	2.2
\$ 59.5	100.0%	\$ 53.5	100.0%
4.6		4.5	
12.6		12.6	
\$ 42.3	\$ 36.4		
19.7		18.9	
\$ 22.6	\$ 17.5		

OPERATING RESULTS (Millions)

Operating Properties

Rental revenues	\$ 28.2	\$ 26.5	\$ 24.3	\$ 22.8	\$ 18.5
Operating income (earnings before depreciation, interest and income taxes)	14.0	15.0	13.2	10.7	7.5
Depreciation and amortization	4.9	4.5	4.7	4.8	3.7
Interest expense	7.1	5.9	4.7	4.8	3.9
Earnings before income taxes	\$ 2.0	\$ 4.6	\$ 3.8	\$ 1.1	\$ (.1)
Tenant leasable square feet	4.1	3.6	3.3	3.5	3.3

Landholding

Landholding revenues	\$ 4.1	\$ 11.4	\$ 10.3	\$ 9.6	\$ 5.9
Interest expense .....	.5	.5	.3	.5	.8
Other landholding costs	2.8	9.4	6.9	5.9	3.1
Earnings before income taxes	\$.8	\$ 1.5	\$ 3.1	\$ 3.2	\$ 2.0
Undeveloped land at year end (Thousands of acres)	2.7	3.0	2.6	2.3	1.9

Development Expense

Development expense, excluding interest	\$ 2.2	\$ 2.2	\$ 1.8	\$.8	\$.4
Interest expense	1.6	.8	.2	.1	.2
Total development expense	\$ 3.8	\$ 3.0	\$ 2.0	\$.9	\$.6

Total Real Estate

Revenues	\$ 32.3	\$ 37.9	\$ 34.6	\$ 32.4	\$ 24.4
Interest expense	9.2	7.2	5.2	5.4	4.9
Other costs and expenses	24.1	27.6	24.5	23.6	18.2
Earnings (loss) before income taxes	\$ (1.0)	\$ 3.1	\$ 4.9	\$ 3.4	\$ 1.3
Income taxes	(.6)	1.0	2.0	1.4	(.2)
Net earnings (loss)	\$ (.4)	\$ 2.1	\$ 2.9	\$ 2.0	\$ 1.5 ^a
Funds provided by operations	\$ 5.2	\$ 8.2	\$ 8.1	\$ 8.4	\$ 6.2
Capital expenditures	\$ 21.5	\$ 22.5	\$ 9.9	\$ 6.3	\$ 13.9

^aNet earnings in 1970 were in excess of earnings before income taxes, due to operating loss tax benefits at regular tax rates, coupled with capital gains tax on real property sales.

\$ 2.8	\$ 1.4
2.7	2.3
.3	.1
\$ 5.8	\$ 3.8

Management Discussion

Retail

Total retail revenues grew to \$1.47 billion in 1974 from \$946.9 million in 1970, a cumulative average annual increase of 11.6 percent. The average was influenced by a 16 percent increase in revenues in 1972, a year in which the Corporation opened more than 1.3 million square feet of retail space. Revenues grew 7.5 percent in 1974, 8.4 percent in 1973. The opening of new stores, sales improvement of existing stores and higher selling prices resulting from inflationary pressures have resulted in improved sales levels in all three retail store groups.

Aggressive expansion of specialty and low-margin operations altered the retail sales mix considerably in the 1970-74 period. Specialty stores accounted for 8.5 percent of revenues in 1974, up from 5.9 percent in 1970. Low-margin stores contributed 35.6 percent of the total in 1974, up from 30.5 percent in 1970. Department store revenues grew less rapidly on a percentage basis. They were 55.9 percent of total revenues in 1974, compared with 63.6 percent in 1970.

The ability of specialty stores to achieve high sales per square foot has encouraged rapid expansion of this group. Because stores usually do not develop full productivity in less than three to five years, however, the increasing proportion of newer stores has manifested itself in declining sales per square foot.

The comparisons of specialty-store earnings contributions are affected by losses applicable to two operations liquidated in 1973, Mirette and Mail-Way. Losses from these operations included in specialty-store earnings contributions were \$.7 million in 1973, \$1.5 million in 1972 and \$.3 million in 1971. Earnings contributions of low-margin stores included a \$.3 million loss attributable to the Sibley Company in 1973, and Sibley's earnings of \$.1 million in 1972. The Sibley Company was sold in June 1973.

Interest costs in 1973 held at about the 1972 level but increased moderately in 1974, primarily as a result of higher rates on short-term borrowings during the year.

Corporate expense rose 14 percent in 1973 but was reduced 18 percent in 1974 through a significant reduction of the corporate staff. The Corporation con-

tinues to provide those common services that it does best. Some activities were transferred to the operating companies; the balance were reduced or eliminated.

Real Estate

Rental revenues from tenants increased to \$28.2 million in 1974 from \$18.5 million in 1970, a cumulative average annual increase of 11.1 percent. Additions to leasable space, growth in percentage rents based on tenant sales, and a continuing program to upgrade tenants in older centers contributed to this favorable trend.

Operating income also enjoyed a favorable trend, increasing to \$14 million in 1974 from \$7.5 million in 1970, a cumulative average annual increase of 16.9 percent. The moderate decline in 1974 is discussed in the Operating Review.

Revenues from land sales, which have been reasonably stable in the past, dropped sharply in 1974. The decline reflected the uncertain economic outlook and the tight money situation, a combination that made it difficult for potential buyers to obtain financing. The significant increase in development expense during the 1970-74 period was a result of the Corporation's growing expansion program. Land sales and development expenses were affected by two accounting changes adopted in 1974. The net effect was to increase earnings by approximately \$.3 million. (See Note E to financial statements.)

Funds Provided by Operations before principal payments on long-term debt is regarded by the investment-builder industry as an important measure of real estate performance. By this measure, real estate experienced a slightly declining trend in the 1971-73 period, a trend that accelerated in 1974. Lower profits from land sales and higher development expenses caused the 1971-73 decline. In 1974, the decrease resulted from significantly higher interest costs as well as the sharply lower level of land sales. Over the past several years, interest expense has reflected rising rates of interest and increased use of mortgage debt. The 1974 increase in interest cost was a result of both increased use of short-term borrowing for construction and higher rates.

Estimated Current Value of Mature Operating Properties

Management believes the estimated value in excess of original cost of Dayton Hudson Properties' shopping centers and commercial properties is an important measure of real estate performance.

In attempting to measure this performance for internal purposes, we have found it useful to develop Estimated Current Value by applying a method employed by experienced buyers, sellers and mortgagees of commercial operating properties. This method is to capitalize the operating income (earnings before interest, depreciation and income taxes) of mature operating properties (those properties that have been in operation for at least a full year) at a percentage rate called the "capitalization rate." The capitalization rate is designed to reflect the quality of a project and current money conditions in determining a value that would be useful to an informed real estate investor.

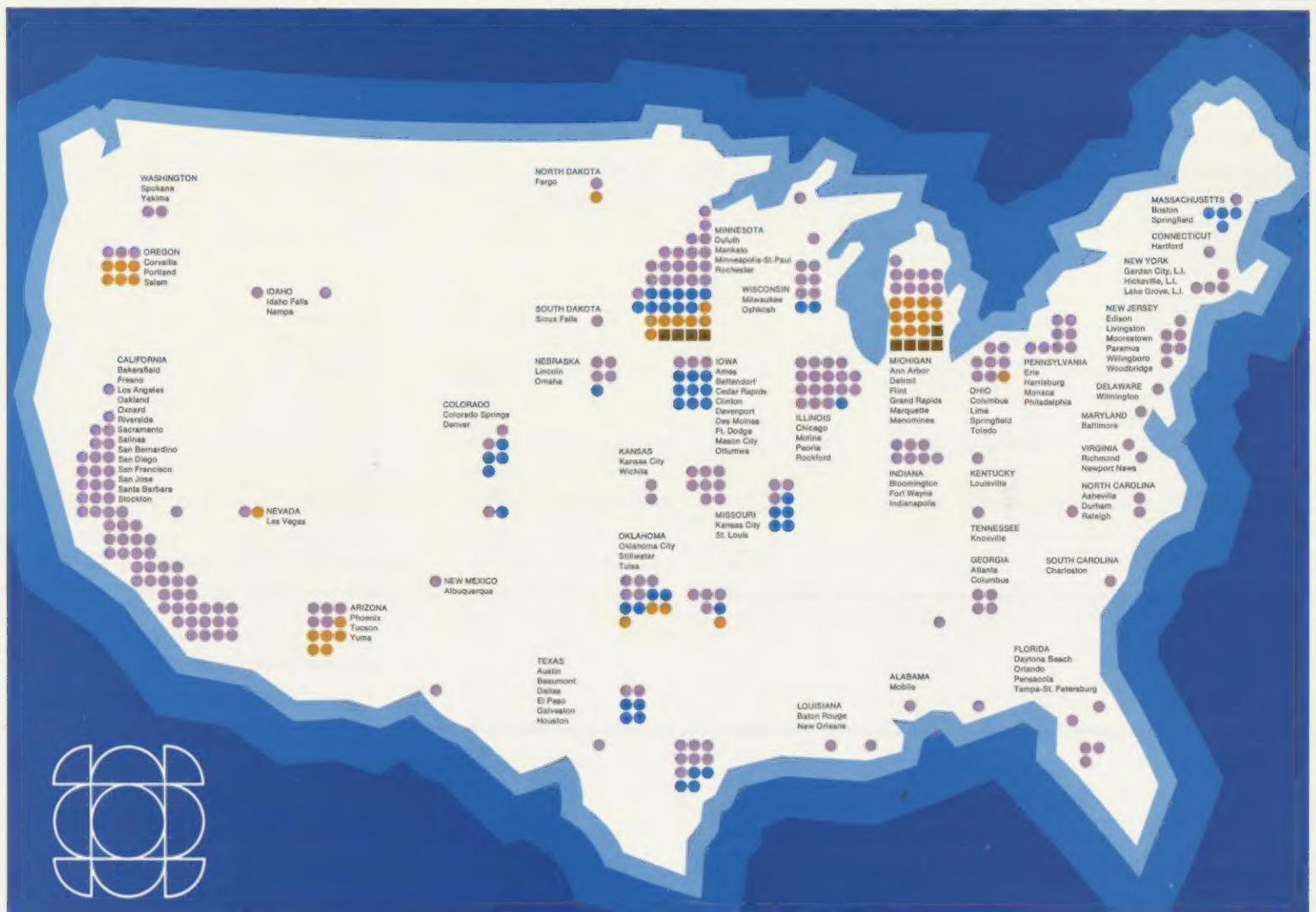
In so computing the Estimated Current Value of our mature properties, we have used what we believe to be a reasonable capitalization rate of 10 percent.

This presentation is intended only as an assist in fuller understanding of the potential of our mature operating properties. There is no assurance that the Estimated Current Value shown could be realized on any individual or bulk sale. We have no present plans to sell any substantial portion of these properties.

	1974	1973	1972
(Thousands)			
Operating income*	\$ 14,356	\$ 15,733	\$ 14,015
Estimated Current Value of operating properties (operating income capitalized at 10%)			
	143,560	157,330	140,150
Total cost of operating properties (before depreciation) 123,986 124,153 120,744			

Estimated value in excess of cost \$ 19,574 \$ 33,177 \$ 19,406

*Earnings before interest, depreciation and income taxes from properties in operation at least a full year.



Dayton Hudson Corporation

At the close of 1974, Dayton Hudson Corporation was operating 318 stores in 38 states, and nine regional shopping centers in Michigan and Minnesota.

Department Stores

Hudson's ■ Dayton's ■ Diamond's
■ Lipman's ■ John A. Brown

Low-Margin Stores

■ Target ■ Lechmere

Specialty Stores

■ B. Dalton, Bookseller
■ Dayton Hudson Jewelers
■ Team Central

Real Estate

■ Dayton Hudson Properties

DEPARTMENT STORES	Total Sq. Ft. (000)	Date Opened		
Hudson's (1881)*				
Joseph L. Hudson, Jr., Chairman				
Edwin G. Roberts, President				
Downtown Detroit, Mich.	1,886	1891		
Northland Center, Southfield, Mich.	610	1954		
Eastland Center, Harper Woods, Mich.	481	1957		
Warehouse Store, Dearborn, Mich.	61	1959		
Pontiac Mall, Pontiac, Mich.	283	1962		
Budget Store, Dearborn, Mich.	86	1963		
Westland Center, Westland, Mich.	356	1965		
Oakland Mall Center, Troy, Mich.	380	1968		
Genesee Valley Center, Flint, Mich.	268	1970		
Southland Center, Taylor, Mich.	292	1970		
Franklin Park Mall, Toledo, Ohio	187	1971		
Briarwood Shopping Center, Ann Arbor, Mich.	187	1974		
	5,077			
Dayton's (1902)*				
Carl R. Erickson, President				
Downtown Minneapolis, Minn.	1,385	1902		
Southdale Center, Edina, Minn.	349	1956		
Downtown St. Paul, Minn.	383	1963		
Brookdale Center, Brooklyn Center, Minn.	241	1966		
Rosedale Center, Roseville, Minn.	193	1969		
Apache Mall, Rochester, Minn.			155	1972
West Acres Center, Fargo, N.D.			115	1973
Ridgedale Center, Minnetonka, Minn.			231	1974
			3,052	
Diamond's (1891)*				
W. Wallace Barrett, President				
Park Central Center, Phoenix, Ariz.			165	1957
Thomas Mall Center, Phoenix, Ariz.			190	1963
Tri-City Mall, Mesa, Ariz.			138	1969
Las Vegas, Nev.			41	1970
MetroCenter, Phoenix, Ariz.			181	1973
Fashion Square, Scottsdale, Ariz.			50	1974
Park Mall, Tucson, Ariz.			98	1974
			863	
Lipman's (1850)*				
Edward F. Finn, President				
Downtown Portland, Ore.			254	1912
Salem, Ore.			75	1954
Eastport Plaza, Portland, Ore.			85	1960
Corvallis, Ore.			42	1964
Lloyd Center, Portland, Ore.			50	1972
Washington Square, Portland, Ore.			113	1973
			619	
John A. Brown (1915)*				
James W. Sherburne, President				
Norman, Okla.			4	1949
Penn Square, Oklahoma City, Okla.			127	1960
Utica Square, Tulsa, Okla.			72	1971
Crossroads Mall, Oklahoma City, Okla.			150	1974
			353	

*Year founded.

LOW MARGIN STORES		
	Total Sq. Ft.	Date Opened
Target (1961)*	(000)	
Stephen L. Pistner, President		
Roseville, Minn.	68	1962
Crystal, Minn.	96	1962
Duluth, Minn.	96	1962
Knollwood, St. Louis Park, Minn.	106	1962
Bloomington, Minn.	118	1965
Glendale Center, Denver, Colo.	119	1966
Westland Center, Sunset Park, Colo.	119	1966
West St. Paul, Minn.	117	1967
Fridley, Minn.	117	1967
North County, St. Louis, Mo.	118	1968
South County, St. Louis, Mo.	118	1968
Bridgeton, Mo.	118	1969
North Dallas, Tex.	129	1969
Garland, Tex.	129	1969
Colorado Springs, Colo.	129	1969
Hedwig Village, Houston, Tex.	129	1969
South Loop, Houston, Tex.	129	1969
Sharpstown, Houston, Tex.	129	1970
Tulsa, Okla.	126	1970
Almeda, Houston, Tex.	126	1970
University City, Mo.	126	1970
Village Fair Center, Dallas, Tex.	126	1970
Greenfield, Wis.	126	1970
Wauwatosa, Wis.	126	1970
North St. Paul, Minn.	111	1971
Baliwin, Mo.	111	1971
Arlington, Tex.	111	1971
North Des Moines, Iowa	125	1971
South Des Moines, Iowa	90	1971
Mason City, Iowa	50	1972
Ames, Iowa	45	1972
Cedar Rapids, Iowa	80	1972
Fort Dodge, Iowa	61	1972
Ottumwa, Iowa	50	1972
Omaha, Neb.	120	1972
Clinton, Iowa	60	1972
Thornton, Colo.	87	1972
South Denver, Colo.	87	1972
Oklahoma City (North), Okla.	115	1972
Oklahoma City (South), Okla.	115	1972
Midwest City, Okla.	90	1972
Norman, Okla.	91	1972
Bettendorf, Iowa	80	1972
Moline, Ill.	80	1972
Coon Rapids, Minn.	87	1972
Edina, Minn.	111	1973
Lechmere (1911)*	4,797	
SPECIALTY STORES		
Dayton Hudson Jewelers		
Joseph J. Freedman, President		
J. E. Caldwell (1839)*		
Downtown Philadelphia, Pa.	35	1916
Wilmington, Del.	2	1953
Haverford, Pa.	6	1954
Moorestown, N.J.	4	1965
Plymouth Meeting, Pa.	4	1966
Harrisburg, Pa.	5	1970
	56	

J. B. Hudson (1885)*		
	Total Sq. Ft.	Date Opened
Stephanie L. Pistner, President	(000)	
Downtown Minneapolis, Minn.	10	1929
Southdale Center, Edina, Minn.	5	1956
Downtown St. Paul, Minn.	5	1963
Brookdale Center, Brooklyn Center, Minn.	3	1966
Rosedale Center, Roseville, Minn.	4	1969
Omaha, Neb.	4	1970
Rochester, Minn.	2	1974
Ridgegate Center, Minnetonka, Minn.	3	1974
	36	
J. Jessop & Sons (1860)*		
	Total Sq. Ft.	Date Opened
Paul D. Hagstrum, President	(000)	
Downtown San Diego, Calif.	12	1893
La Jolla, Calif.	4	1949
Chula Vista, Calif.	3	1956
Mission Valley Center, San Diego, Calif.	4	1961
La Mesa, Calif.	4	1961
Escondido, Calif.	4	1964
College Grove Center, San Diego, Calif.	4	1968
	35	
C. D. Peacock (1837)*		
	Total Sq. Ft.	Date Opened
Robert J. Crabb, President	(000)	
Downtown Chicago, Ill.	23	1927
Glencoe, Ill.	4	1955
Skokie, Ill.	5	1957
Oakbrook, Ill.	8	1962
Calumet City, Ill.	9	1967
Schaumburg, Ill.	4	1971
Vernon Hills, Ill.	4	1973
	57	
Shreve's (1852)*		
	Total Sq. Ft.	Date Opened
Paul D. Hagstrum, President	(000)	
Downtown San Francisco, Calif.	20	1906
Palo Alto, Calif.	4	1968
San Mateo, Calif.	5	1969
San Jose, Calif.	4	1971
Walnut Creek, Calif.	3	1971
	36	
Charles W. Warren (1902)*		
	Total Sq. Ft.	Date Opened
Robert J. Crabb, President	(000)	
Somerset Mall, Troy, Mich.	7	1969
Northland Center, Southfield, Mich.	6	1969
Franklin Park Mall, Toledo, Ohio	5	1971
Eastland Center, Harper Woods, Mich.	2	1974
	20	
B. Dalton, Bookseller		
	Number of Stores	Total Sq. Ft. (000)
Stephanie L. Pistner, President		
B. Dalton (1966)*		
	Total Sq. Ft. (000)	Date Opened
Alabama	1	
Arizona	5	
California	19	
Colorado	2	
Connecticut	1	
Florida	6	
Georgia	5	
Idaho	2	
Illinois	7	
Indiana	6	
Iowa	2	
Kansas	2	
Kentucky	1	
Louisiana	2	
Maryland	1	
Massachusetts	1	
Michigan	7	
Minnesota	10	
Missouri	5	
Nebraska	1	
	932**	
Commercial, Office, Other		
Southdale Medical Building, Edina, Minn.	160	1958
Eastland Professional Building, Harper Woods, Mich.	47	1960
Nine Mile Medical Building, Southfield, Mich.	49	1967
Southdale Office Centre, Edina, Minn.	380	1968
Tower 14, Southfield, Mich.	222	1973
Other	74	
	932**	
Total Developed Real Estate		9,398**
Undeveloped Land		
	Acres	
Twin Cities	1,951	
Detroit	699	
Las Vegas	22	
Other	7	
	2,679	

**Gross leasable area including department store space owned by Dayton Hudson and other retailers. Excludes joint ventures (not managed by Dayton Hudson Properties).



Dayton Hudson Corporation

DIRECTORS

William A. Andres, President
Bruce B. Dayton, Chairman, Executive Committee of the Board
Donald C. Dayton, Retired Chairman of the Board
***Douglas J. Dayton**, Chairman, Dade, Inc. (development capital company)
K. N. Dayton, Chairman of the Board
Wallace C. Dayton, Conservationist
Joseph L. Hudson, Jr., Vice Chairman of the Board and Chairman of The J. L. Hudson Company
Stephen F. Keating, Chairman of the Board, Honeywell Inc. (automation equipment manufacturer)
***David M. Lilly**, Chairman of the Board, The Toro Company (yard care equipment manufacturer)
Philip H. Nason, Chairman of the Board, The First National Bank of Saint Paul
***William E. Roberts**, Retired Chairman, Lipman's
William H. Spoor, Chairman of the Board, The Pillsbury Company (diversified food producer)
Paul N. Ylvisaker, Dean of the Graduate School of Education, Harvard University
*Audit Committee

OFFICERS

K. N. Dayton, Chairman of the Board and Chief Executive Officer
William A. Andres, President and Chief Operating Officer
Bruce B. Dayton, Chairman of the Executive Committee
Joseph L. Hudson, Jr., Vice Chairman of the Board
Richard L. Schall, Senior Vice President - Administration
Robert J. Crabb, Senior Vice President
Carl R. Erickson, Senior Vice President
Stephen L. Pistner, Senior Vice President
Wayne E. Thompson, Senior Vice President - Environmental Development
Bruce G. Albright, Vice President - Group Officer Specialty Stores & Lechmere
Gerald R. Dirks, Vice President - Investments and Financial Relations

Glenn E. Johnson, Vice President - Western Department Stores Group
Reid Johnson, Vice President - Controller
Allan L. Pennington, Vice President - Corporate Development
Albert B. Perlin, Vice President, General Counsel and Secretary
James M. Shipton, Vice President - Personnel
Willard C. Shull III, Vice President and Treasurer
J. R. A. Boline, Assistant Treasurer
Peter Corcoran, Assistant Treasurer
William E. Harder, Assistant Secretary

TRANSFER AGENTS

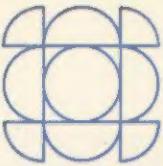
Northwestern National Bank of Minneapolis
First National City Bank, New York City

REGISTRARS

First National Bank of Minneapolis
The Chase Manhattan Bank, N.A., New York City

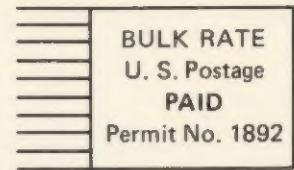
10-K REPORT

A copy of the Form 10-K annual report filed with the Securities and Exchange Commission for Dayton Hudson Corporation's fiscal year ended February 1, 1975, is available at no charge to shareholders on request. Write to Manager, Shareholder Relations.



Dayton Hudson Corporation

777 Nicollet Mall
Minneapolis, Minnesota
55402



CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION DEPARTMENT
325 SUPERIOR AVENUE
CLEVELAND, OH 44114